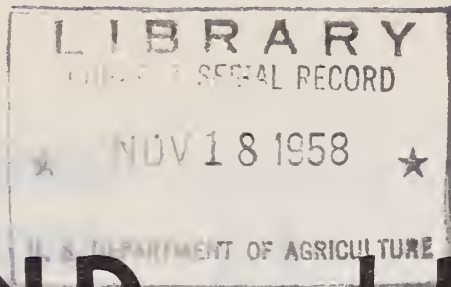


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1959 OUTLOOK ISSUE

November 1958
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DEMAND and PRICE SITUATION

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AGRICULTURAL SITUATION AND OUTLOOK FOR 1959

Prices received by farmers, which this year are averaging at their best level in 5 years, may show some decline in 1959, mainly because of lower prices for hogs. Although an increasing flow of products from farms will probably maintain total cash receipts from farm marketings, the elimination of acreage reserve program payments after 1958, and prospects for a further slight rise in production expenses could well bring a reduction of some 5 to 10 percent in realized net farm income, depending largely on the level of crop production next year. This year net income is running some 20 percent above 1957, and the highest in 5 years. As the economy continues to recover from the recent recession, the income which farm people get from nonfarm sources should increase. Off-farm income now provides about one-third of farm people's total net income.

Underlying the agricultural outlook for 1959 are the prospects for: Increased consumer income and a stronger domestic demand for food and most other farm products; slightly reduced foreign takings of U. S. farm products in the current fiscal year compared

(Continued on page 3)

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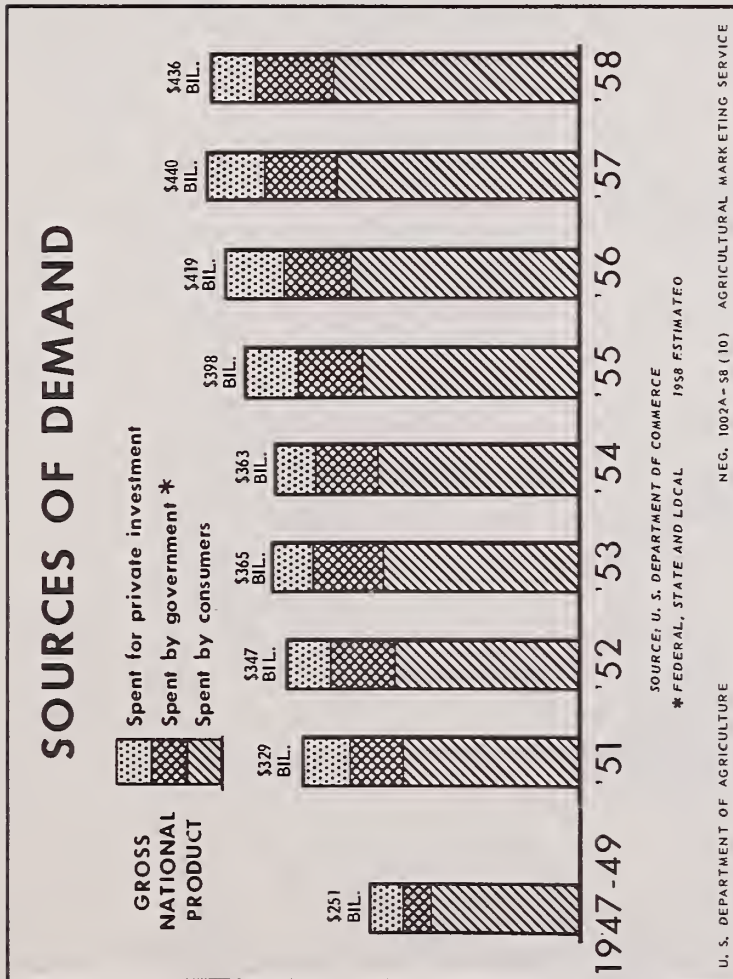


Chart 1

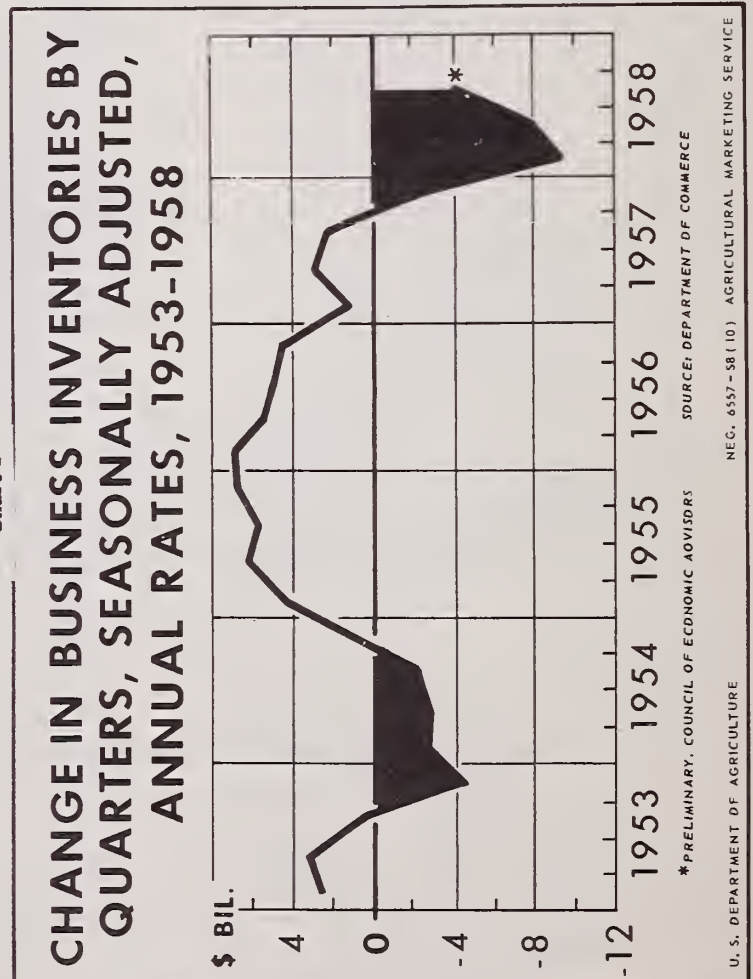


Chart 3

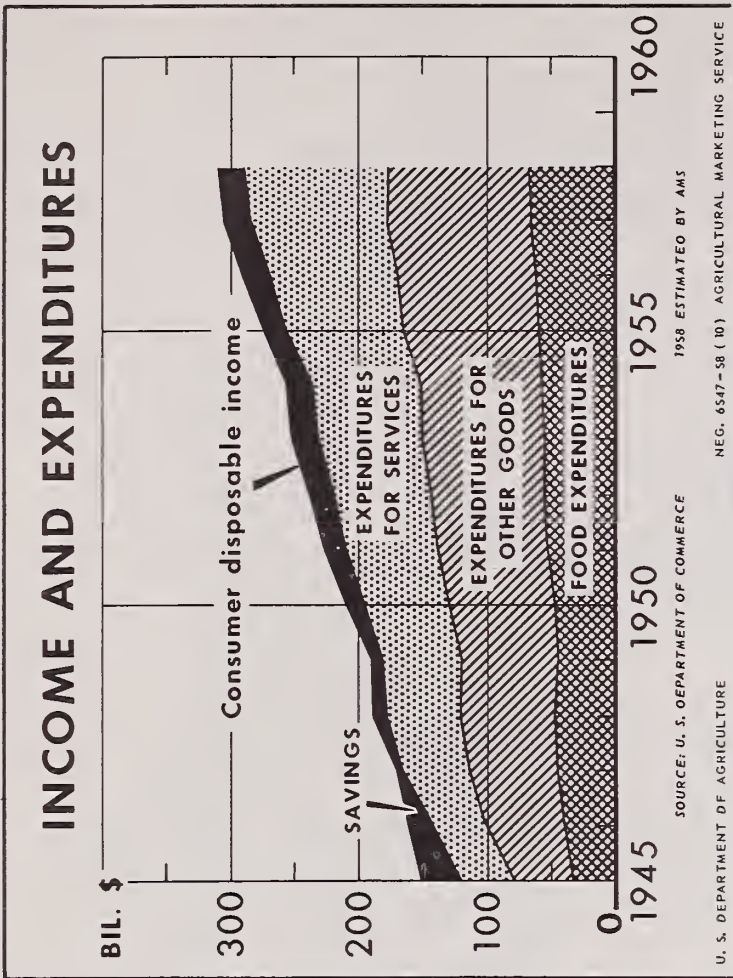


Chart 2

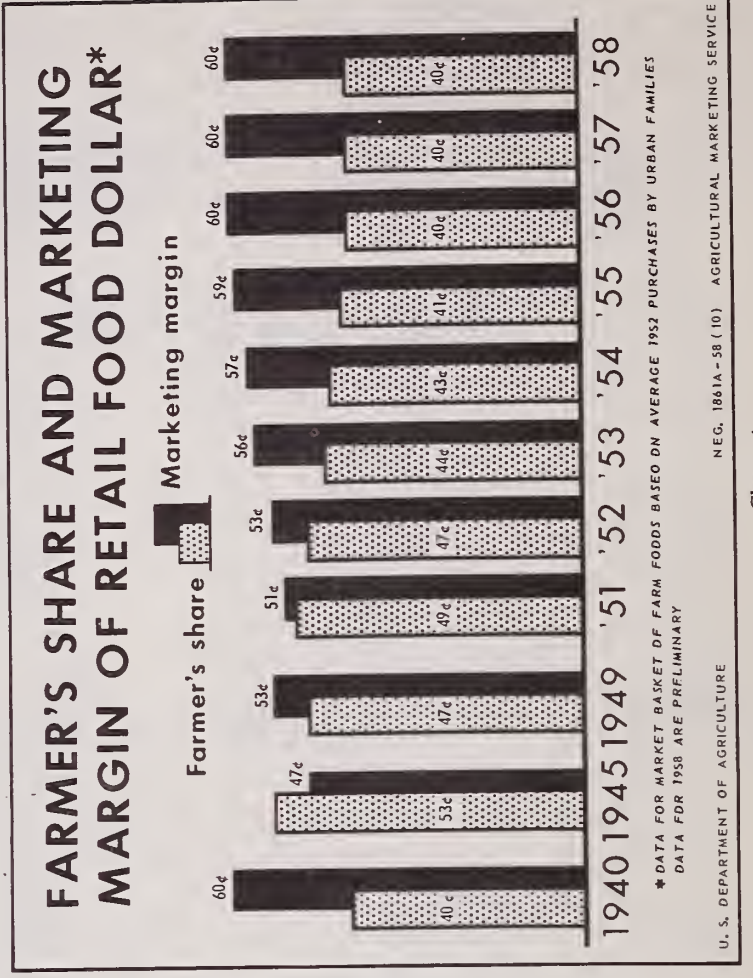


Chart 4

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, November 5, 1958

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with 1957-58, with exports again aided by extensive government programs; and continued heavy supplies of farm products generally, with wheat and feed grain supplies especially burdensome.

Crop production this year, much of which will be marketed in 1959, is about 10 percent larger than in 1957, and a new record high, according to the October 1 Crop Report. Acreage planted was the smallest in 40 years, reflecting acreage restrictions on crops in surplus and the retirement from use of some 27 million acres under the Soil Bank program. But crop production per acre, enhanced by very favorable growing conditions, rose some 11 percent over 1957, the sharpest increase of the postwar period.

As a result of record output, carryover stocks of wheat, which had been reduced moderately in recent years, will be much larger when the 1959 wheat crop begins to move to market. Carryover stocks of corn and other feed grains, which have risen steadily since 1952, will increase further to a new high at the end of the current feeding year. Carryover stocks of cotton, sharply reduced last year, will likely show a further small reduction during the current season which ends next August 1. Thus, Commodity Credit Corporation investment in inventories and price support operations which showed a reduction from 7.4 billion dollars on June 30, 1957 to 7.0 billion dollars on June 30, 1958, will show a substantial increase by the end of the current fiscal year.

Crop output in 1959 could be as large as in 1958 even if weather conditions are no better than average next year. Yields per acre may not average much lower because of continuing improvements in crop technology. Further, the lapsing of the acreage reserve of the Soil Bank will return to production in 1959 some 17 million acres, or about 5 percent of total cropland, which was withdrawn from wheat, corn, cotton, rice and tobacco this year. This will be only partly offset by further expansion in the conservation reserve of the Soil Bank. Although the 1959 wheat crop would be smaller than this year under normal growing conditions, a substantial increase in cotton acreage is allowed by the Agricultural Act of 1958.

Output of some livestock and livestock products will likely increase in 1959. Hog production is expanding, reflecting a large supply of feed and profitable hog-corn price ratios. The fall pig crop, expected to be about 14 percent larger than a year earlier will bring a substantial increase in marketings of hogs beginning next spring. Similarly, with an increased number of layers, egg output in the first half of 1959 will probably exceed output in the same period of 1958. Broiler output, which has increased rapidly in recent years, is likely to show a further increase in 1959. Cattle slaughter next year may not be much different than this year as the prospects are for continued build-up of herds. Dairy production may show a slight increase in 1959, and be more nearly in balance with commercial outlets at price support levels than in any of the past 6 years.

Prices received by farmers in the first 10 months of 1958 have averaged about 6 percent higher than in the same period of 1957. Prices of hogs and cattle have been appreciably higher than a year earlier, reflecting reduced marketings of meat animals and a strong demand for feeder cattle. In addition, freeze damage resulted in smaller supplies and higher prices for citrus fruits and for vegetables, in the first half of the year. Prices of most major crops averaged somewhat lower in 1958 than in 1957. For 1959, the most important price change in view is the prospect for a fairly substantial decline in prices of hogs. Prices of poultry and eggs also may average somewhat lower at least in the first half of the year than in the same period of 1958. For basic commodities, average price support levels for 1959 crops may not be appreciably different from those for 1958 crops. The minimum price support for 1959 crop wheat has been announced at \$1.81 per bushel compared with \$1.82 for the 1958 crop. The minimum level of price support for cotton growers who stay within their allotment will be at about the same percentage of parity as for the 1958 crop. Lower supports will be available to those who choose to expand acreage up to 40 percent above their allotment. If elimination of the corn allotment is voted on November 25, price supports will be lower than for the 1958 crop for the 12 percent of commercial area corn acreage which was in compliance with allotments this year. Supports for other corn producers will be higher than those available for their 1958 crop.

Prices paid by farmers for living and production items, including interest, taxes and wage rates, in the first 10 months of 1958 averaged 3 percent higher than in the same period of 1957. Prices of food and of feeder livestock purchased by farmers have risen along with prices of such industrial

items as motor vehicles and farm machinery. Interest and tax charges to farmers as well as farm wage rates continued their persistent rise, with farm wage rates up 5 percent in recent months.

A small increase is in prospect for prices paid by farmers over the next year. Some price increases for industrial items may occur as the economy continues to recover, in addition to continuing increases in interest, taxes and farm wage rates. However, somewhat lower prices paid by farmers for food and feed may be a substantial offset. Thus, the parity ratio--ratio of average prices received to average prices paid, interest, taxes and wage rates--which averaged 84 (1910-14=100) in the first 10 months of 1958 compared with 82 in the similar period of 1957, may show some decline next year.

Farm operators' realized net income in the first 3 quarters of 1958 has been at a seasonally adjusted annual rate of about 13 billion dollars and is likely to continue at about this rate through the year. This is some 20 percent higher than the 10.8 billions realized in 1957. The improvement of about 10 percent in gross farm income this year has reflected several factors, most notably much higher prices for livestock and record crop marketings which are augmenting the flow under loan to the CCC. Farm production outlays increased about 5 percent this year as a result of generally higher cost rates, and sharply increased expenditures for feeder livestock and feed.

In 1959, cash receipts from farm marketings may be well maintained. Somewhat lower receipts from hogs and wheat are in prospect but larger receipts from cotton are likely if acreage is expanded appreciably. However, Soil Bank payments to farmers will be substantially reduced with the elimination of the acreage reserve, which this year accounted for some 700 million dollars in payments to farmers. Expansion of the conservation reserve program will offset part of this reduction. Further, increasing interest, taxes and wage payments as well as higher expenses associated with expanding feeding operations may bring a slight increase in farm production expenses next year. Thus, some reduction in realized net income appears to be in prospect.

Exports of U. S. farm products during the fiscal year which ended June 30, 1958 were valued at about 4 billion dollars, about 15 percent less than the record exports of the 1956-57 fiscal year. Volume was off 14 percent. Shipments of cotton and wheat were substantially reduced. In the case of cotton, accumulation of foreign stocks of American cotton in the preceding year, increased foreign production and curtailed mill activity in some countries abroad were the major factors. For wheat, improved harvests in Western Europe substantially reduced their import requirements. Exports of feed grains rose as livestock production expanded in Western Europe and less low quality wheat was available for feeding.

Foreign takings of U. S. farm products during the current fiscal year 1958-59, may be slightly below the level of 1957-58. Some further decline is likely in cotton exports of which supplies in the United States have been substantially reduced. Foreign supplies of cotton are larger and consumption has eased. However, exports of grains, particularly under Public Law 480, are increasing this year. Government export programs will continue to be an important factor in maintaining export volume in 1959.

During the past year, domestic demand for food has continued very strong. Consumer incomes, after taxes, were well maintained throughout the recession during the fall and winter a year ago and, with the recovery in the economy since last spring, dollar income rose by the third quarter of 1958 to a rate above the previous peak of the third quarter of 1957. While consumer expenditures for automobiles were sharply reduced, sales at retail food stores in the first 9 months of this year exceeded the same period of 1957 by some 6 percent. Retail food prices averaged 5 percent higher. However, the farmer's share of the consumers' food dollar did not change significantly compared with a year ago as costs of processing and distribution and prices to farmers were both higher.

Between the summer of 1957 and the early spring of this year nonagricultural employment was reduced some 5 percent. The sharpest drop in employment occurred in manufacturing, down 11 percent. Industrial production declined 13 percent, with the durable goods industries showing the greatest reduction. In the main, the decline reflected: a sharp cutback in business spending for inventories, shifting from a build-up of inventories last year to a rapid reduction earlier this year; a substantial decline in business investment in new plant and equipment, reflecting excess capacity in a number of industries; a considerable reduction in consumer purchases of automobiles; and a drop in exports which substantially exceeded the decline in imports.

Personal income was maintained much better than employment during the recession. Increases in unemployment compensation and social security payments, as well as improved farm income, were a substantial offset to the decline in employment and a shorter work week which reduced the flow of wage and salary payments. Thus, total consumer income, after taxes, in the first quarter of 1958, near the low point of the recession, was only about 1 percent less than the peak rate of the third quarter of 1957.

In the last 6 months, output and employment have improved, though not back to 1957 summer highs, and the work week has lengthened, as the 3 main sources of demand--consumers, business and government--have increased their expenditures. Federal expenditures for national security and for other activities, including CCC price support operations have increased. The long-term uptrend in State and local Government expenditures for schools, roads and other public facilities continued. The rate of inventory liquidation by business has lessened appreciably and residential construction has improved with the rate of new housing starts recently reaching the highest in 3 years. The decline in business investment has slowed and the net foreign balance has stabilized. Consumer expenditures for nondurable goods and for services have also increased, although automobile sales have continued low. Consumer income in total has increased steadily during the last 6 months and has brought

some improvement in per capita purchasing power, allowing for the slight rise in consumer prices that has occurred since spring and for population growth. Nevertheless, per capita purchasing power is still somewhat under the level of the summer of 1957.

Over the next year, the flow of expenditures in the economy is likely to be substantially augmented, bringing higher rates of economic activity and employment and an appreciable increase in consumer income. Federal budget expenditures, according to the Mid-year Budget Review published in September, will total over 7 billion dollars larger in the current fiscal year which ends next June 30 than in the 1957-58 fiscal year, and a substantial budget deficit is being incurred. The uptrend in State and local Government expenditures should continue, augmented by the Federal-aided highway program.

Business investment in new plant and equipment may well be at or near its low for the current decline. The third quarter survey of business investment plans by the Securities and Exchange Commission and Department of Commerce indicates that the decline in capital outlays has come to a halt. With business activity and corporate profits rising, and business optimism generally high, some increase in business outlays for new plant and equipment during 1959 seems probable. However, the rise may be fairly moderate considering the large capital programs in earlier years. Higher levels of economic activity are bringing a halt to inventory reductions, which have slowed in recent months and which have brought some improvement in stock-sales ratios. The current high rate of housing starts assures some further increase in outlays for residential construction into 1959. The recent sharp rise in housing starts, has received particular stimulus from rapid commitment of funds made available for federal mortgage purchases under the new special assistance program for low cost homes enacted early this year, and from more liberal terms for FHA and VA assisted housing.

Prospects for higher levels of employment and further increases in wage rates, indicate significantly higher consumer incomes in 1959 than in 1958. The purchasing power of income also will likely improve. The consumer price level over the next year may continue fairly stable with some increases in prices of nonfarm items largely offset by declines for some foods coming into increasing supply.

Consumer expenditures for durable goods should show some increase next year. A high rate of housing completions will likely bolster demand for household goods. Further, domestic automobile sales are likely to be substantially above the low level of about $4\frac{1}{2}$ million cars estimated for this year. Consumer installment debt outstanding on automobiles is at a much lower level than a year earlier. Demand for nondurable goods, including food and services, which were little affected by the recession, should continue very strong, especially as the rate of population growth, while slightly slower this year, continues high.

Commodity Highlights

Prices of cattle will hold up well in 1959. Prices of hogs will decline considerably during the year and be much lower next fall than now. Prices of sheep and lambs will probably remain fairly stable.

Consumption of milk products in commercial outlets in 1959 probably will be more nearly in balance with milk production than in any of the past 6 years. A slight increase in milk output and in consumption are both probable next year.

Supplies of poultry meat will be larger and broiler prices lower in the first few months of 1959 than in the same months of 1958. Also, egg supplies will be larger until late summer and prices are likely to be lower.

Supplies of all oilseeds and peanuts are abundant and farm prices will likely average near support in the 1958-59 marketing year but less than a year earlier.

The total feed supply is 10 percent larger than in 1957-58. Feed grain prices are expected to average a little lower in 1958-59 than in 1957-58, reflecting both the larger production and slightly lower Government price supports.

The carryover of wheat at the end of this marketing year next July may be over 400 million bushels higher than in July 1958 and the largest in history. A further increase may occur in 1959-60. The supply of rye totals 47.2 million bushels compared with 36.4 million a year ago. Rice stocks are likely to be reduced during the current year. In 1957-58 the price received for rice averaged 34 cents above the support rate of \$4.72 per cwt. This year they are again expected to be well above the support rate announced at \$4.48.

Production of citrus fruits in 1959-60 will probably be up from this year; deciduous fruit production will be about the same, assuming average weather.

Supplies of canned vegetables available up to mid-1959 will be a little larger than last season and materially larger than the 1949-56 average. Heavy supplies of potatoes will be available at least into spring, and prices to farmers are expected to continue well below those of a year earlier.

The supply of cotton in 1958-59 is expected to total close to 20 1/2 million bales. With exports of around 4 million bales and domestic mill consumption of around 8 million bales, the carryover into 1959-60 is likely to be a little below the 8.7 million bales carried over into the current marketing year.

Mill use of apparel wool, after declining since mid-1956 turned upward in early 1958 and, with a further expansion of economic activity in prospect, consumption in 1959 will likely be up from 1958.

Cigarette output is likely to continue its upward trend as a result of an increase in population of smoking age and additional smokers among women. The utilization of tobacco which turned upwards in 1957-58, is likely to increase further in 1958-59.

With economic activity rising, a stronger demand for pulpwood, veneer logs and sawlogs is in prospect for 1959.

The downtrend in naval stores supplies is expected to continue in 1958-59. With production down a little more than domestic disappearance and exports, prices are likely to average higher in 1958-59 than last year.

DOMESTIC DEMAND CONDITIONS

Economic activity, which declined in late 1957 and early 1958, has recovered much of the drop since last spring, and the recovery is continuing. Gross national output in the July-September quarter was at an annual rate of 440 billion dollars, up 14 billion dollars from January-March. In the last 6 months, consumers have increased their purchases of nondurable goods and services, and residential construction outlays have picked up. The rate of inventory liquidation by businessmen slackened as consumption continued high and began to rise. Federal spending started to increase and State and local Government spending continued to expand. Consumer incomes after personal taxes in the third quarter also rose and were 1.7 percent above a year earlier.

Consumer Incomes and Spending

Consumer incomes after personal taxes in July-September were at a rate of 314 billion dollars, up 1.7 percent from a year earlier. Consumer incomes declined only a little between the fall of 1957 and the early months of 1958 as gross national output and industrial production declined substantially. They have risen during the past 6 months.

Wage and salary payments, reflecting the substantial cutback in industrial output, declined 3.7 percent between August 1957 and April 1958, but have recovered 3 percent since and are near the levels of August 1957. Wages and salaries in the commodity producing industries, mostly manufacturing, declined the most, 7.9 percent during the past year. They were 3.4 percent above the April low but still 4.8 percent below August 1957. Wages and salaries in the distributive and service industries which declined only a little were a little higher in September 1958 than a year earlier. Government wages which continued to advance over the past year were 6.9 percent higher in August 1958 than a year earlier reflecting both higher wages and employment.

Government payments for unemployment benefits, social security and other transfer payments in September 1958 were a fourth higher than a year earlier. This offset a large part of the decline in wage and salary payments during the past year. The changes in the other sources of personal income

were small overall, with an increase in farm proprietors' income and personal interest income, and small declines in business and professional income and dividend payments.

On a per person basis, disposable income declined 2 percent between the third quarter of 1957 and the first quarter of 1958 and by the third quarter 1958 was about the same as a year earlier. After adjusting for the higher price level, the purchasing power of per capita disposable income declined about 3 1/2 percent between the third quarter 1957 and the first quarter 1958. By the third quarter 1958 it was 1 1/2 percent above the first quarter low but still about 2 percent below a year earlier.

The rate of personal savings out of current income declined from 6.6 percent in the third quarter of 1957 to 6.2 percent in the first quarter of 1958, as consumers continued to maintain their purchases of nondurable goods and services despite a small decline in income. More recently, the savings rate has risen as income have increased faster than consumer spending.

Table 1.--Consumer income, spending and saving, third quarter 1957 to third quarter 1958, seasonally adjusted annual rates

Item	1957		1958			
	III	IV	I	II	III	1/
	Bil.	Bil.	Bil.	Bil.	Bil.	
	dol.	dol.	dol.	dol.	dol.	
Personal disposable income	308.7	306.8	305.0	307.5	314.0	
Consumer expenditures for goods and services	288.3	287.2	286.2	288.3	292.0	
Durable goods	40.4	39.6	36.3	35.6	36.5	
Automobiles and parts	17.3	17.1	13.6	13.5	n.a.	
Furniture and household equipment	17.5	17.0	17.1	16.6	n.a.	
Nondurable goods	140.5	138.8	139.8	141.4	143.0	
Food and beverages	77.1	76.2	77.5	78.6	n.a.	
Clothing and shoes	25.1	24.4	23.9	24.0	n.a.	
Other	38.3	38.2	38.4	38.8	n.a.	
Services	107.4	108.7	110.1	111.3	112.5	
Personal saving	20.4	19.6	18.8	19.2	22.0	
Savings as a percent of disposable income	6.6	6.4	6.2	6.2	7.0	

1/ Preliminary estimates of the Council of Economic Advisers. n.a. not available.

Department of Commerce except as noted.

Consumers added only about half as much to their installment debt in 1957 as in 1955, when there was a rapid increase in purchases of consumer durables, particularly automobiles, on credit. With a sharp curtailment of consumer durable purchases in late 1957 and early 1958, extensions of new credit declined but repayments on old loans continued close to 1957 levels. This resulted in a decline in credit outstanding from February through September 1958. At the end of September installment credit outstanding at 3.3 billion dollars, was about the same as a year earlier.

Consumer Expenditures Higher Except for Durables

Spending by consumers has been a stabilizing influence upon total gross national output over the past year. While businessmen reduced their expenditures sharply, consumers expanded their purchases except for a small decline in late 1957 and early 1958. By the July-September quarter, consumer expenditures were at an annual rate of 292 billion dollars, up 2 percent from January-March and 1.3 percent from a year earlier. Rising purchases of nondurable goods and services, up about 2 and 5 percent, respectively, more than offset the decline of about a tenth in expenditures on consumer durables between the third quarter of 1957 and the same period this year. Sales of new passenger cars were reduced sharply, as well as sales of furniture and household equipment. Among nondurable goods and services, expenditures on food, housing and household operations increased while expenditures for gasoline and transportation were about the same and spending for clothing and shoes declined. (Based on figures for second quarters of 1957 and 1958.)

During 1958 consumers have continued to spend about the same proportion of their disposable income on food (22 percent based on the revised Commerce Department food expenditure series according to estimates of AMS). Expenditures on food and alcoholic beverages in the second quarter of 1958 were up about $4\frac{1}{2}$ percent from a year earlier, but higher retail food prices were responsible for most of the increase. The retail cost of a "market basket" of farm-produced food products was 4 percent higher in the July-September quarter of 1958 than a year earlier. Farmers received one-eighth of this rise in retail cost. Marketing agencies accounted for seven-eighths, due to increases in wages, freight rates, and many other expenses. The farmer's share of the retail food dollar this year is estimated to be about the same as in 1957.

Government Expenditures Rise

Government purchases of goods and services in the third quarter of 1958, at an annual rate of 93 billion dollars, were up 6 billion from a year earlier. Purchases of the Federal Government, which declined during the last half of 1957, began to increase in early 1958. By July-September 1958, they were up about 2 billion dollars from a year earlier. The rise was due mainly to increases in national security outlays, larger price support activities of the Commodity Credit Corporation, higher wage and salary payments and the cost of a number of expanded programs, such as stepped up public works.

State and local purchases in July-September were at a rate of 40 billion dollars, up almost 4 billion from a year earlier, continuing the trends of recent years. Over the past year there were increases in construction outlays, especially for highway facilities. The number of State and local Government employees increased 300,000 between September 1957 and 1958 to meet the growing demand for public services. The salary level was increased as well.

Table 2.--Government expenditures for goods and services, third quarter 1957 to third quarter 1958, seasonally adjusted annual rates

Item	1957		1958		
	III	IV	I	II	III <u>1/</u>
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Government purchases of goods and services <u>2/</u>	87.0	88.3	89.5	90.9	93.0
Federal <u>2/</u>	50.9	50.5	50.9	51.9	53.0
National Security	46.9	46.0	45.6	46.0	46.5
Other	4.5	5.0	5.7	6.2	7.0
State and local	36.1	37.8	38.6	39.1	40.0

1/ Preliminary estimates of Council of Economic Advisers. 2/ Less Government sales.

Department of Commerce except as noted.

Investment Spending Rises

Business investment in new plant and equipment is expected to total 31 billion dollars in 1958, down 6 billion dollars from 1957, based upon the most recent survey of businessmen's expenditure anticipations conducted by the Department of Commerce and the Securities and Exchange Commission. Capital spending, after declining sharply in the first half of 1958, apparently leveled out between the second and third quarters and may have increased a little in the current quarter according to the survey.

Capital spending by manufacturing firms declined 30 percent between the third quarter of 1957 and mid-1958. Based on anticipated capital outlays for the second half of 1958 the plans of durable goods producers show a leveling off while those of nondurable goods industries show a slight increase. The metals industries were continuing to reduce their spending through 1958, but machinery industries were planning to increase their outlays in the last half of the year. Automobile firms have held their outlays about level throughout 1958 after a sharp reduction in spending during 1956 and 1957. Among nondurable goods industries, much of the planned improvement is due to the firming of capital investment intentions in the petroleum industry for the second half of 1958. Planned outlays by food and paper firms are expected to rise some by the end of the year; it is anticipated that those of the chemical industry will continue to decline.

Capital spending by railroads declined over the past year to the lowest level in the postwar period. Other transportation firms are now expected to spend about 15 percent less in 1958 than in 1957, but with a slight pickup indicated in the final quarter of 1958. Public utility outlays are scheduled to rise for the rest of this year after declining some between late 1957 and early 1958. Spending by mining firms, after a substantial decline, may have leveled out in the second half of 1958, and spending by the commercial group also apparently steadied during the last half.

Table 3.--Investment expenditures, third quarter 1957 to third quarter 1958, seasonally adjusted annual rates
(Billion dollars)

Item	1957		1958		
	III	IV	I	II	III ^{1/}
Gross private domestic investment	66.7	61.5	49.6	49.2	54.5
New construction	36.6	37.1	36.3	34.9	36.3
Residential nonfarm	16.9	17.6	17.1	16.2	17.9
Other	19.7	19.6	19.2	18.7	18.4
Producers' durable equipment	28.0	26.7	22.9	22.3	22.3
Change in business inventories	2.2	-2.3	-9.5	-8.0	-4.0
Net foreign investment	3.6	1.9	.5	.5	.5

^{1/} Preliminary estimates of the Council of Economic Advisers.

Department of Commerce except as noted.

Inventory Liquidation Slows

Businessmen shifted from a policy of modest inventory accumulation through most of 1957 to rapid liquidation in the first half of 1958, as sales particularly of consumer and producer durable goods leveled out and then turned down. In the third quarter of 1957 businessmen were accumulating inventories at an annual rate of 2 billion dollars. In the first quarter of 1958 they were liquidating inventories at a rate of $9\frac{1}{2}$ billion dollars. With final demands rising in the economy since spring, the rate of inventory liquidation has slowed and in the third quarter of 1958 was at a rate of 4.0 billion dollars.

The book value of manufacturers' inventories, which account for about 60 percent of total inventories held by businessmen, totaled 49.2 billion dollars at the end of September, down 5.0 billion from the peak rates a year earlier. As manufacturers' sales declined more rapidly than the book value of inventories, stock-sales ratios climbed rapidly between August 1957 and March 1958. With the recovery in sales since April and some further reduction in inventories, the stock-sales ratio of manufacturing firms in September were a little below a year earlier. Most of the decline in the book value of inventories has been concentrated in durable goods and stock-sales ratios were about the same as a year earlier. Among nondurable goods industries, the decline in sales and book value of inventories was moderate over the past year, with stock-sales ratios in September running only a little below a year earlier.

In sharp contrast with the rapid liquidation of inventories by manufacturing firms over the past year, retailers reduced their inventories only a little. The book value of retail stocks at the end of August totaled 23.9 billion dollars, down 400 million from a year earlier. The decline was centered largely in automobiles. Stock-sales ratios at retail, while down considerably from January, were still above a year earlier. Inventories of nondurable goods in August were about the same as a year earlier, but with sales in August up about 3 percent, the stock-sales ratio was down a little compared with a year ago.

Construction Outlays Higher

Construction activity has increased significantly in recent months. Outlays for new construction in the third quarter of 1958 were some 4 percent above the second quarter rate and slightly above the comparable period of 1957. In October, construction activity after seasonal adjustment was up $2\frac{1}{2}$ percent from September. Much of the recent rise reflected sharp gains in nonfarm residential building. Private nonfarm housing starts in September were at a seasonally adjusted annual rate of 1,220,000, some 200,000 above September 1957, and the highest in 3 years. Residential construction has been stimulated since last spring by new housing legislation which included provisions for liberalizing the terms under which mortgages could be insured by FHA and VA and for more funds for purchasing mortgages. Housing starts financed through FHA and VA programs in recent months have been running substantially above a year earlier, while those financed through conventional financing have held steady.

Industrial construction, reflecting the decline in business investment in new plant and equipment, dropped some 40 percent between the third quarter of 1957 and the third quarter of 1958. Commercial construction, however, has continued relatively stable. For other private outlays, such as churches and private schools, the strong up-trend of recent years continued in 1958. Public construction has remained high, with outlays for highways in the third quarter up 16 percent over a year earlier.

Industrial Production and Employment

Activity in the industrial sector of the economy as measured by the Federal Reserve Board's index of industrial production has increased significantly in the last 6 months. It declined between late 1957 and the spring of 1958. The overall production index in September was 137 (1947-49=100), up 9 percent from the low of last spring but still 5 percent below a year earlier. Output of durable goods, which dropped 20 percent during the recession, recovered rapidly and by September was 10 percent above the low but 10 percent below a year earlier. Manufacturers of nondurable goods reduced output 6 percent from August 1957 through March 1958. Since early spring, however, recovery has been widespread and in September, the index for nondurable goods production, at 134, was 3 points above a year earlier.

Table 4.--Index of industrial production by major industrial groups,
third quarter 1957 to third quarter 1958, seasonally adjusted

(1947-49=100)					
Group	1957		1958		
	III	IV	I	II	III
Industrial production	145	139	130	129	136
Total manufactures	147	140	132	131	138
Durable manufactures	162	152	138	135	143
Primary metals	134	119	95	93	107
Metal fabricating	178	168	154	148	155
Clay, glass and lumber	134	128	122	124	135
Furniture and miscellaneous	134	129	121	123	131
Consumer durable goods total	134	125	109	104	111
Major consumer durables	143	133	110	103	111
Autos	150	137	105	92	84
Other consumer durables	112	110	107	107	112
Nondurable manufactures	131	128	125	127	133
Textiles and apparel	106	101	96	100	108
Rubber and leather					
products	120	114	106	106	116
Paper and printing	148	148	144	144	150
Chemicals and petroleum					
products	174	171	165	166	173
Food, beverages and					
tobacco	113	111	114	114	116
Minerals	129	124	117	110	120

Board of Governors, Federal Reserve System.

Among the durable goods industries, steel production has recovered sharply since April and the operating rate reached 66 percent of capacity in September compared with 48 percent in April and 82 percent a year earlier. As a result the primary metals index in September, at 110, was up 28 percent from April but 16 percent below a year ago. Machinery and fabricated metal products industries, which also reduced output sharply in the past year, have increased 8 and 14 percent, respectively, since April. Output of transportation equipment, another hardhit industry, has changed little since April but lumber and products production was up 13 percent from April and 3 percent above a year earlier.

The index of consumer durable goods output in September was up 7 percent from April, but off some from recent months as model changeovers of new automobiles reduced output. The index in September was down about a fifth from a year earlier. Production of major household goods in August (the latest month for which data are available) at 137, was down 1 percent from a year earlier. Output has risen 28 percent since April, due mainly to increasing production of refrigeration and laundry appliances, and radio and television sets.

Among the nondurable goods industries, output of food manufactures in September was up about 3 percent from a year earlier. Output of textile mill products, chemical and petroleum products, and rubber exceeded year earlier levels.

Manufacturers' sales have recovered rapidly since last April. In September manufacturers' sales totaled 26.7 billion dollars, up 7 percent from last spring, but still 5 percent below last year. Most of the decline over the past year was concentrated in the durable goods industries. Sales of durable goods industries in September totaled 12.6 billion dollars, up 10 percent from the springtime low, with substantial gains registered in all industries except transportation equipment. Sales in nondurable goods industries in September were 14.1 billion dollars, up 5 percent from last spring and a little above September 1957. In recent months sales have increased in the textile, paper, chemical and petroleum industries.

New orders placed with manufacturers, at 26.8 billion dollars, were 11.2 percent more than in February, and a little above last September. Since the February low, the volume of new orders has increased 2.7 billion dollars. In the durable goods industries most of the increase over early 1958 lows occurred in primary metals and transportation equipment, with machinery and fabricated metals also registering substantial gains. With sales exceeding new orders, the volume of unfilled orders declined during the past year and in September totaled 46.7 billion dollars, down nearly 10 billion from a year earlier.

Employment and Earnings Improve

The job situation has improved some since last spring. Civilian employment in October totaled 65.3 million. This was the highest level since last January, after accounting for seasonal changes, but about $1\frac{1}{2}$ million below a year earlier. Nonagricultural employment in October, at 58.9 million was 266,000 below a year earlier. In manufacturing establishments employment in September, the latest month for which data are available, totaled 15.5 million, seasonally adjusted in September, up 221,000 from the spring lows, but 1.2 million below a year earlier. Most of the rise in manufacturing employment in recent months has been in durable goods industries. Except for an increase in Government employment, changes in construction, trade, finance, and services have been small since spring.

Unemployment in October totaled 3.8 million, down over 300,000 from September, a somewhat more than seasonal decline but 1.3 million above a year earlier. After seasonal adjustment, unemployment was 7.1 percent of the civilian labor force in October compared with 7.2 percent in September, the high for the year of 7.6 percent in August and 3.2 percent in October a year earlier. The first significant decline of the relatively long-term unemployed (those out of work 15 weeks or longer) this year occurred in September with a decrease of 200,000, to a level of 1.4 million.

Average weekly hours of factory production workers in manufacturing in September were 39.8 hours, up 1.4 hours from the low in February but close to the level in September 1957. Average hourly earnings in September at \$2.14

were 6 cents above a year ago. Average weekly earnings at \$85.17 were up \$2.18 above a year earlier.

Table 5.--Manufacturers' sales, inventories and production, third quarter 1957 to third quarter 1958, seasonally adjusted

Item	Unit	1957		1958		
		III	IV	I	II	III
Total:						
Deliveries <u>1/</u>	Mil. dol.	28,628	27,325	25,608	25,299	26,437
Inventories	Mil. dol.	54,154	53,831	52,455	50,876	49,484
Stock-sales ratio	Ratio	1.89	1.97	2.05	2.01	1.87
New orders	Mil. dol.	27,055	25,772	24,412	24,951	26,427
Order backlogs <u>2/</u>	Mil. dol.	57,691	51,955	48,148	46,179	46,514
Production	1947-49=100	145	139	130	128	138
Durable:						
Deliveries <u>1/</u>	Mil. dol.	14,334	13,524	12,118	11,733	12,401
Inventories	Mil. dol.	31,753	31,471	30,252	29,001	28,139
Stock-sales ratio	Ratio	2.22	2.33	2.50	2.47	2.27
New orders	Mil. dol.	12,895	11,972	10,960	11,347	12,429
Order backlogs <u>2/</u>	Mil. dol.	54,707	49,366	45,665	43,597	43,830
Production	1947-49=100	162	152	138	135	143
Nondurable:						
Deliveries <u>1/</u>	Mil. dol.	14,294	13,801	13,490	13,552	14,036
Inventories	Mil. dol.	22,401	22,360	22,203	21,900	21,345
Stock-sales ratio	Ratio	1.57	1.62	1.65	1.62	1.52
New orders	Mil. dol.	14,161	13,800	13,452	13,604	13,998
Order backlogs <u>2/</u>	Mil. dol.	2,984	2,589	2,483	2,583	2,684
Production	1947-49=100	131	128	125	127	133

1/ Monthly rate. 2/ Unadjusted.

Department of Commerce and Federal Reserve Board.

Wholesale and Urban Consumer Prices Stabilize

The index of wholesale prices in September was about 1 percent higher than a year earlier. In recent months the index has held fairly steady. Wholesale prices of farm products and processed foods, while showing some decline in recent months, averaged somewhat higher in September than a year ago. Wholesale prices of industrial commodities in September were at about the same level as in September 1957.

Urban consumer prices in September averaged 2 percent above a year earlier. While prices of apparel were about the same as in September a year ago, all other groups showed price increases. Food prices averaged 3 percent higher, transportation costs were 4 percent higher, and medical care 5 percent above September 1957. The urban consumer price index has shown relative stability in recent months. Prices paid by farmers for family living items in mid-October averaged nearly 2 percent above a year earlier. The index rose

a little in the month ended October 15 as reductions in food and building material were more than offset by higher prices for clothing, household supplies and furnishings.

Table 6.--Indexes of wholesale and consumer prices, by groups, 1956, 1957, and July-September, 1957 and 1958

Year and month	Wholesale prices				Consumer prices			
	All commodities	Farm	Processed food	All other (Industrial)	All items	Food	Rent	Apparel
1956	114.3	88.4	101.7	122.2	116.2	111.7	132.7	105.5
1957	117.6	90.9	105.6	125.6	120.2	115.4	135.2	106.9
Jul.	118.2	92.8	107.2	125.7	120.8	117.4	135.2	106.5
Aug.	118.4	93.0	106.8	126.0	121.0	117.9	135.4	106.6
Sept.	118.0	91.1	106.5	125.9	121.1	117.0	135.7	107.3
Average:	118.2	92.3	106.8	125.9	121.0	117.4	135.4	106.8
1958								
Jul.	119.2	95.0	112.7	125.6	123.9	121.7	137.8	106.7
Aug.	119.1	93.2	111.3	126.1	123.7	120.7	138.1	106.6
Sept.	119.1	93.1	111.2	126.2	123.7	120.3	138.2	107.1
Average:	119.1	93.8	111.7	126.0	123.8	120.9	138.0	106.8

Department of Labor

FOREIGN DEMAND

The past year has witnessed a striking improvement in the international financial position of the major foreign dollar customers of U. S. agriculture.

The steady rise in foreign gold and dollar assets since 1952 halted in late 1957, partly as a result of the Suez crisis. For some major trading countries, the effect of the crisis was mitigated by substantial assistance from international and U. S. lending agencies. During the year which ended June 30, 1958, gold and dollar holdings again began to rise and increased by 2.3 billion dollars to a new record of 33 billion dollars. Reserves of the major foreign trading countries were higher in relation to their imports than they were during the boom years of the 1920's.

A large part of the improvement in gold and dollar assets represented improved trade balances with the U. S. During 1957-58, the 4-year rise in U. S. exports ended with exports declining 10 percent from 1956-57 to 17.3 billion dollars. While some of the decline was due to belt-tightening on the part of some countries to correct their balance of payments difficulties, the reduction in imports from the U. S. also reflected an adjustment downward from the extraordinary level resulting from the Suez crisis and reduced needs for agricultural commodities.

At the same time, U. S. imports in 1957-58 totaled 13 billion dollars, almost the same as in 1956-57, even though the trend was down early in 1958. The effects of the U. S. recession and of reduced stockpile needs lowered our imports of raw and semi-manufactured materials. But imports of manufactured items such as automobiles and of livestock products, and of sugar and cocoa beans and certain other agricultural commodities increased. The net effect of lower U. S. exports and little change in U. S. imports during 1957-58 was to reduce foreign payments to the U. S. by about 2 billion dollars below the previous year.

At the same time U. S. Government grants (partly of foreign currencies received for our farm exports) and private foreign investment remained substantial. Foreign countries also added to their liquid gold and dollar assets as renewed confidence in their own currency and higher interest rates abroad reversed the flow of capital and of long-term investments in the U. S.

As may be seen in table 1, the net increase in liquid foreign assets was accounted for by the industrial countries of Western Europe, the United Kingdom, Japan and Canada. The other countries, with few exceptions experienced some further weakening in their reserve position.

The improvement in foreign gold and dollar assets apparently has continued during the second half of 1958. However, some of the factors making for the large surplus of foreign receipts from the U. S. over foreign payments to the U. S. in 1957-58 are becoming of less influence. The decline in U. S. exports has slowed. Moreover, with higher yields on U. S. securities, investment in the U. S. could again become attractive. However, U. S. investment abroad and Government grants and loans of dollars as well as foreign currencies will remain substantial.

In most postwar years, a rise in United States exports has followed the rise in foreign reserves. This occurred fairly rapidly in the case of less developed countries but more slowly in the case of the countries of Western Europe. The improvement in foreign reserves has been largely in industrialized nations.

The favorable effect on U. S. exports of the recent improvement in the reserve position of industrial countries may be further delayed. The likelihood is that most of the backlog of import demand evident during the postwar period has been met. Thus the resumption of a high demand for U. S. farm commodities in these countries will depend on their level of agricultural supplies and industrial production and on the demand for their export output. In the case of the underdeveloped countries, whose reserve losses have been fairly continuous in the past 2 years, our agricultural and other exports will continue to depend to a large extent on various methods of Government financing.

Agricultural Exports

Agricultural exports in the fiscal year ending June 30, 1958 totaled 4 billion dollars, 15 percent less than the all-time high of 4.7 billion in 1956-57. The decline in quantity was about 14 percent. Most of the reduction in quantity stemmed from lower exports of cotton, wheat and flour, rice, and fats and oils. Exports of rice were less than half those of the previous year

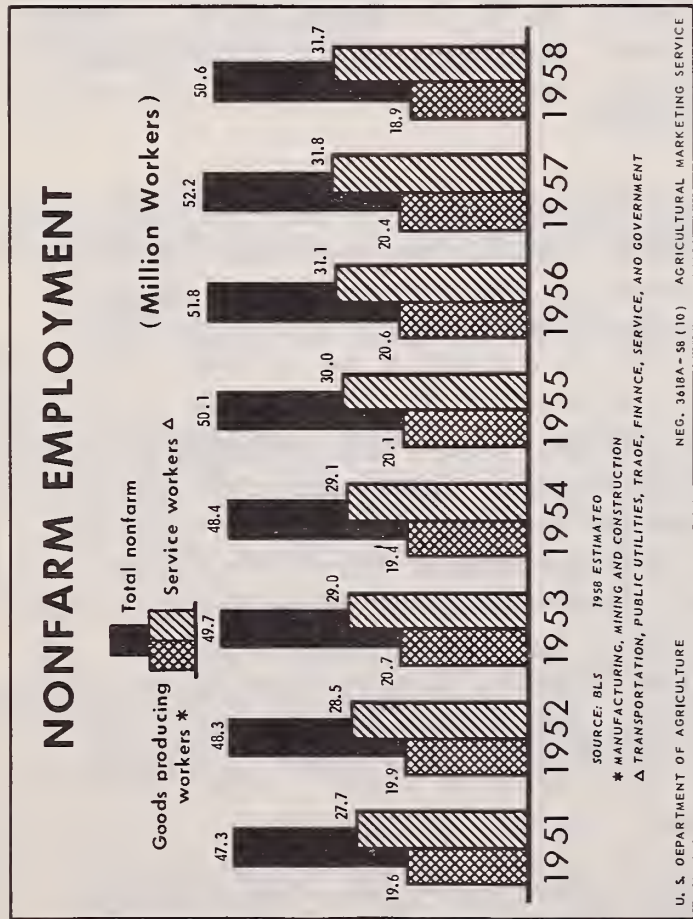


Chart 5

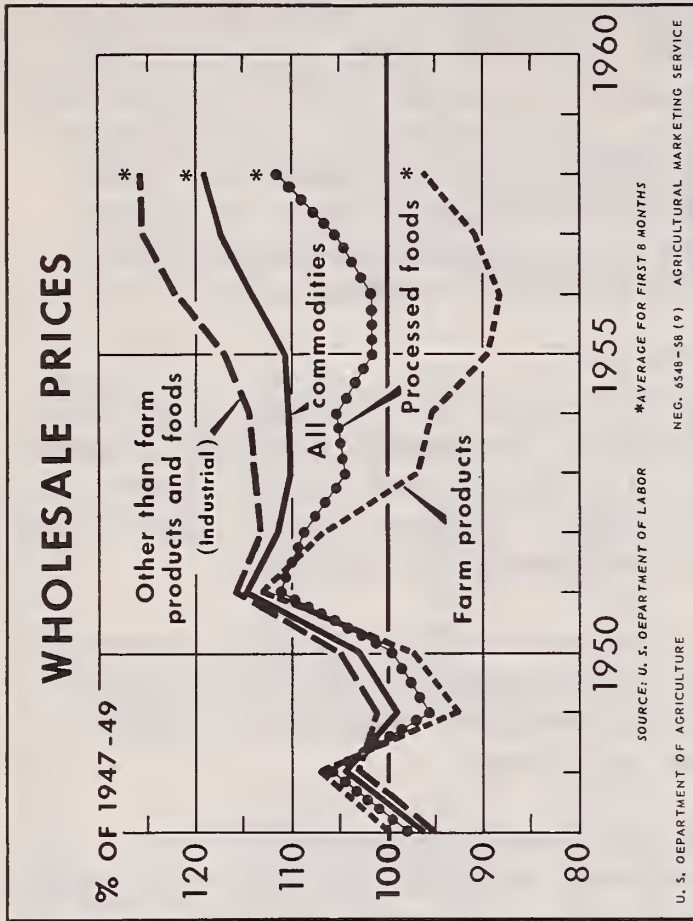


Chart 6

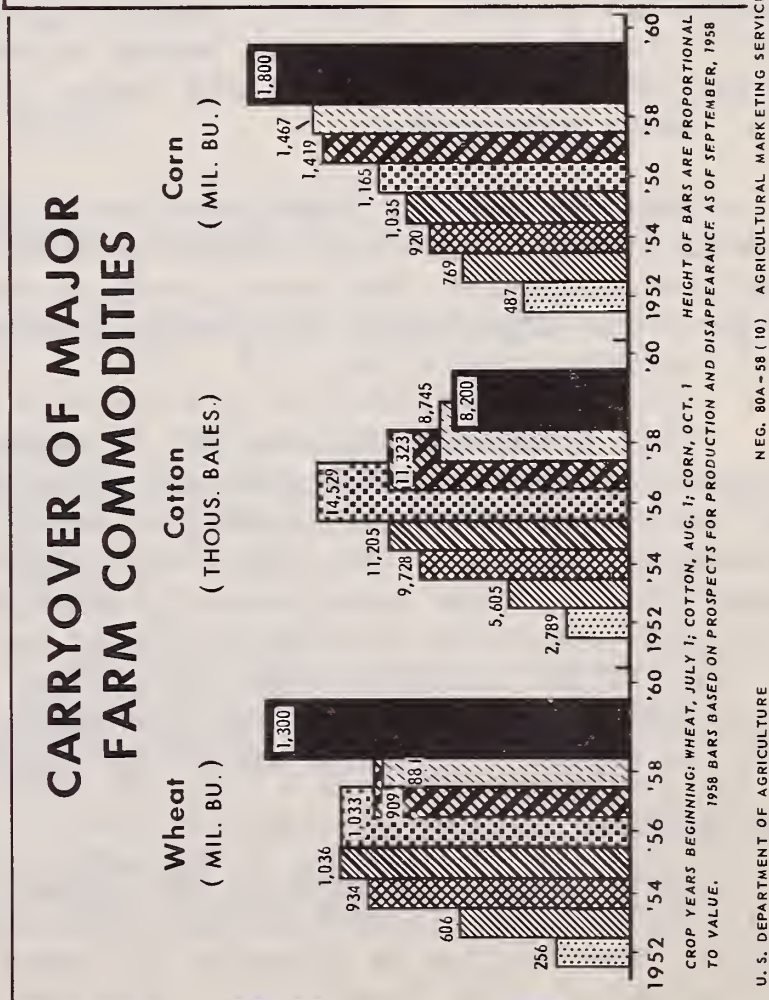


Chart 7

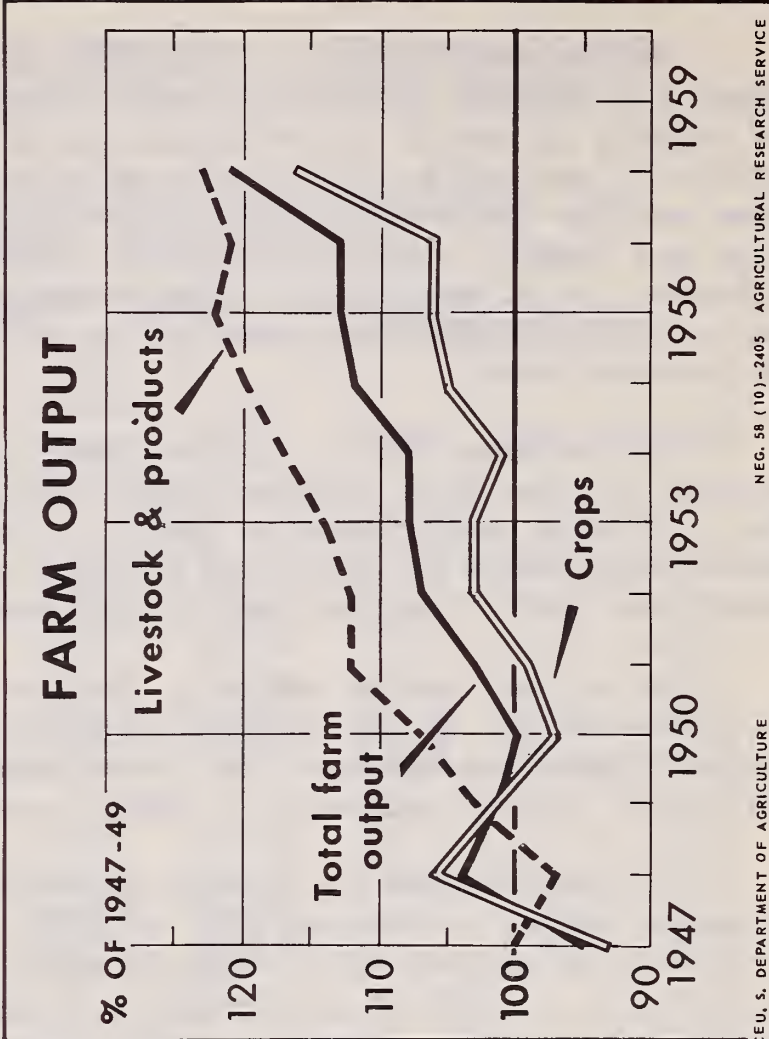


Chart 8

Table 7.--Estimated foreign gold and dollar holdings and foreign holdings of U. S. Government bonds and notes, June 1957, June 1958

Area and country ^{1/}	June 1957	June 1958	Change
	Million dollars	Million dollars	Million dollars
Gold and Dollars			
Industrial countries	20,576	23,478	2,902
Canada	2,712	3,087	375
United Kingdom	2,990	3,909	919
Japan	754	932	178
Continental Western Europe - Total	14,120	15,550	1,430
Belgium	1,133	1,394	261
France ^{2/}	996	893	-103
Germany	3,719	4,040	321
Italy	1,323	1,674	351
Netherlands	1,004	1,289	285
Switzerland	2,442	2,690	248
Other Western Europe	3,503	3,520	17
Other sterling area	1,034	3,944	-90
Latin American Republics	4,488	3/4,272	-216
Cuba	393	417	24
Mexico	504	3/488	-16
Venezuela	1,450	1,460	10
All other countries ^{4/}	2,050	1,816	-234
Total foreign countries ^{5/}	28,148	30,510	2,362
International institutions	2,720	2,689	-31
Grand total	30,868	33,199	2,343
Foreign holdings of long-term			
U. S. Government obligations	1,631	1,447	-184

^{1/} Including dependencies. ^{2/} Excludes gold holdings of French Exchange Stabilization Fund.

^{3/} Latest reported gold reserves: Australia, December 31, 1957; Colombia, February 28, 1958; Mexico, April 30, 1958. ^{4/} Not separately mentioned or included in regional totals. ^{5/} Excludes gold reserves of the USSR and Eastern Europe.

Federal Reserve Bulletin, September 1958, Board of Governors, Federal Reserve System

Table 8.--Foreign transactions with the United States, 1956-57, 1957-58 ^{1/}

Item	Year ending June 30		Change
	1956-57	1957-58	
	<u>Billion</u>	<u>Billion</u>	<u>Billion</u>
	<u>dollars</u>	<u>dollars</u>	<u>dollars</u>
Payments to the United States			
For U. S. merchandise	19.2	17.3	-1.9
For U. S. services	6.6	7.0	.4
Other <u>2/</u>	1.2	.5	-.7
Total	27.0	24.8	-2.2
Receipts from the United States			
For foreign merchandise	13.0	13.0	---
U. S. military expenditures abroad	3.1	3.1	---
For other foreign services	4.2	4.3	.1
U. S. foreign aid grants	1.7	1.5	-.2
U. S. Government loans	.7	.9	.2
U. S. private capital outflow	4.0	2.8	-1.2
Total, including other <u>3/</u>	27.4	26.3	-1.1
Net increases in foreign assets <u>4/</u>			
Gold and short term dollar holdings	-.9	1.6	2.5
Long-term U. S. Government securities	.2	-.2	-.4
Other foreign assets in the U. S.	1.1	.1	-1.0
Total	.4	1.5	1.1

^{1/} Excludes military aid grants and exports financed thereby. Trade data adjusted for balance of payments purposes. Data for 1957-58 preliminary. ^{2/} Unrecorded transactions, errors and omissions.

^{3/} Includes private remittances, government pensions and other transfers. ^{4/} Represents excess of foreign receipts over payments.

United States Department of Commerce, Office of Business Economics.

Table 9.--United States Agricultural Exports, total and under special programs years ending July 30, 1957-58 1/

Item	Wheat and flour	Course grains 2/	Rice	Cotton 3/	Tobacco unmfd. 4/	Fats and oils 4/	Dairy pro- ducts	Total includ- ing all other
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Foreign currency sales and grants								
1956-57	520	107	135	330	36	177	176	1,557
1957-58	455	99	44	237	24	113	158	1,147
Barter								
1956-57	139	121	2	127	---	2	5/	401
1957-58	16	18	5/	56	5/	5/	1	100
Dollar loans and credits								
1956-57	1	---	---	64	1	---	---	73
1957-58	42	21	2	113	4	22	---	205
Total under special programs <u>6/</u>								
1956-57	660	228	137	521	37	179	176	2,031
1957-58	513	138	46	406	28	135	159	1,452
Other exports for dollars								
1956-57	298	132	53	605	303	492	58	2,697
1957-58	211	284	52	441	315	443	58	2,550
Total agricultural exports								
1956-57	958	360	190	1,126	340	671	234	4,728
1957-58	724	422	98	847	343	579	217	4,002
Percent under special programs								
1956-57	69	63	72	46	11	27	75	43
1957-58	71	33	47	48	8	23	73	36

1/ Data on special programs are based on reported shipments under Public Law 480, expenditures under the Mutual Security Act, and disbursements under Export-Import Bank and CCC credits. Because of differences in reporting periods, exports under the special programs are not strictly comparable to official export statistics. Data for total agricultural exports include estimated value of donations under Section 416 of the Agricultural Act of 1949 (Sec. 302, Title III P.L. 480) which are not identified by name in the official trade reports. 2/ Corn, meal and flour, barley and malt, oats and oatmeal and grain sorghums. 3/ Includes lintners. 4/ Lard, tallow, soybeans, cottonseed, flaxseed, peanuts and oils. 5/ Less than .5. 6/ Excludes CCC export sales and sales under the International Wheat Agreement, unless exported under the special programs.

Foreign Agricultural Service.

and the other items were between 20 and 35 percent below the record levels of 1956-57. Exports of tobacco were a little (-6%) lower than in 1956-57. Shipments of the 4 major feed grains combined increased 35 percent and soybean exports achieved a new high.

Nearly four-fifths of the 725 million dollar decline in agricultural exports was in exports under special government export programs. The largest reduction, over \$300 million, was in exports under barter. Total exports under Public Law 480 (including barter), the Mutual Security Act, and Export-Import Bank loans amounted to 1.5 billion dollars compared with over 2 billion dollars in 1956-57. Other exports for dollars, which include CCC sales for export and shipments under the International Wheat Agreement, were relatively well sustained.

The Export Outlook

During 1958-59, the value of total agricultural exports is expected to be slightly below the previous year. The major decline will be in cotton. Exports of animal products, tobacco, and fruit may also be down. Some increase is expected in exports of wheat, vegetable oils and oilseeds and, possibly, feed grains.

Under the Mutual Security Act and Title I of Public Law 480 alone, about 1.75 billion dollars were available from unused and new appropriations to finance the export of surplus agricultural commodities. Exports under these Government programs are expected to represent a major segment of total agricultural exports, although one-third or more of the available funds may be carried over into 1959-60. Furthermore, in addition to the special programs listed in table 10, the Government will participate in exports through the various CCC export sales and payment-in kind programs.

Based on the foreign supply situation (production and stocks) and the availability of dollar or special financing the outlook by commodity for the fiscal year ending June 30 is as follows:

With unusually heavy exports to India and other countries under Title I of Public Law 480, and reduced availabilities from competing exporters, exports of wheat and flour will probably be above last year's 401 million bushels. World wheat production is expected to reach a record high in 1958-59; foreign products will be about 170 million bushels above last year.

Exports of feed grains, including products, may be about equal or exceed the 9.4 million short tons shipped last year. Foreign livestock numbers are continuing to increase, spurred in part by lower feed prices and with the exception of France, little low grade wheat is available for feed in Western Europe. Foreign production of corn will be up 4 million tons, while oats and barley will be only a little above 1956-57. Exports of grain sorghums--used as food in some Asian countries--are expected to increase under Public Law 480. On the other hand our corn exports will face competition from greatly expanded Argentine supplies.

Foreign import demand for rice continues strong, reinforced by reduced exportable supplies in Burma and Thailand. With augmented stocks being made available from CCC inventories, rice exports are expected to increase substantially above the 18.3 million hundredweight (rough basis) shipped last year.

Exports of cotton may decline one-fourth or more from the 5.7 million bales exported last fiscal year, due to larger foreign supplies and somewhat lower foreign consumption; foreign free world production is estimated to increase about 4 million bales between 1957-58 and 1958-59.

Exports of tobacco may decline a little from last year's level of 473 million pounds. Steadily increasing production of flue-cured, the major export tobacco, in foreign areas is offering strong competition to U. S. growers.

U. S. dollar exports of fats and oils may decline in face of larger foreign production and stocks of vegetable oils and oilseeds. However, increased programming under Public Law 480 may raise total exports somewhat above last year's level of nearly 4 billion pounds oil equivalent. Total foreign production of fats and oils in the calendar year 1958 was about a half billion pounds under 1957; but production increases will take place in 1959.

AGRICULTURAL SUPPLIES, PRICES AND INCOMES

Farm Supplies Record Large

Agricultural output in 1958 is at an all-time high. Production of all crops, livestock, and livestock products is estimated to be nearly 8 percent above the previous record years of 1956 and 1957. The largest increases this year are among the crops; changes in livestock output are moderate. Combined crop production is estimated to be 10 percent above last year, according to the October 1 Crop Report. Crop production per acre, enhanced by very favorable weather, increased 11 percent over 1957. In the last 4 years, crop production per acre has risen over 20 percent. Record crops are being realized for wheat, up 53 percent from last year; for corn and sorghum grain, each up 8 percent; and for soybeans, up 19 percent from 1957. Wheat and feed grains have been in heavy surplus in recent years though carryover stocks of wheat, which had been reduced moderately in recent years, will likely rise to a new record high at the start of the 1959 crop year. Carryover stocks of corn and other feed grains, which have risen steadily since 1952, will increase further at the end of the current marketing year. Carryover stocks of cotton, which have been sharply reduced in recent years, will likely show a further small reduction during the current season.

Livestock and products output this year is about 2 to 3 percent larger than last year. Production of meat animals is likely to be up about the same as the total. Poultry meat output is at an all-time high, and egg production probably will be almost up to the 1957 level. Output of dairy products is about the same as in 1957.

CCC Price Support

Activity Higher in 1958

Increasing surpluses have meant greater price support activity. CCC investment in price support loans and inventories on August 31, 1958 amounted to 7.1 billion dollars compared with 6.7 billion a year earlier. The value of total price support extended on this year's crops by that date was more than double the amount extended up to that time last year.

Farm Product Prices
Highest in 5 Years

Prices received by farmers during the first 10 months of 1958 averaged about 6 percent above the same period of 1957, and were at the highest level since 1953. Much of the gain over 1957 is due to higher prices of meat animals which averaged 21 percent above the first 10 months of 1957, reflecting reduced marketings and a stronger demand for feeder cattle. Early this year, freeze damage brought smaller supplies and higher prices for vegetables and for citrus fruits. Egg prices were also higher. Prices of most major crops, however, continued below a year earlier. In most instances, support prices for 1958 crops are slightly under support levels for 1957 crops.

The index of prices paid by farmers, including interest, taxes and farm wage rates averaged 3 percent higher in the first 10 months of 1958 than in the same period of 1957. Prices of food and feeder livestock purchased by farmers have risen along with prices of such industrial items as motor vehicles and farm machinery. The sharpest increase was for feeder livestock which so far this year averaged about a fourth higher in price than in 1957. Interest and tax payments per acre have also continued to rise, as have farm wage rates which in recent months have risen about 5 percent.

Farm Income Up
Sharply This Year

In the first three-fourths of 1958, farm operators' realized net income was at a seasonally adjusted annual rate of about 13 billion dollars, 20 percent higher than in 1957. This rate is likely to continue through the year. Although the latest survey shows a slight increase in farm population this year, the rise in net farm income will result in an increase in per capita income of people on farms, probably to a new high. Gross farm income is running about 10 percent higher this year, reflecting several factors including much higher prices for livestock; heavy marketings from 1958 record crops, which are increasing the flow of farm products under loan to the CCC; delayed marketings earlier this year from last year's late harvest; and some increase in Soil Bank payments to farmers. Production expenses in 1958 are running about 5 percent higher than in 1957, reflecting the general rise in cost rates associated with farm production, and especially heavier expenses for feed livestock, labor, taxes and interest.

For the first 10 months of 1958, cash receipts from farm marketings were 11 percent above the corresponding period a year earlier, with average prices up 6 percent and the volume of marketings up 5 percent.

Receipts from livestock and products in January-October 1958 exceeded those in 1957 by 10 percent. Average prices were up 12 percent from a year earlier, more than offsetting a 2 percent decline in the volume of marketings. Receipts from meat animals were up about 16 percent, reflecting average prices which were about one-fifth higher than in 1957. Receipts from all species of meat animals were above a year earlier. Higher average prices resulted in a rise of about 11 percent from 1957 in cash receipts from poultry and eggs, with eggs,

Table 10.--Comparison of average prices received for selected commodities with parity prices and support prices for 1957 and 1958 crops

Commodity	Unit	Season average price		Support price		October 15, 1958	
		1956-57	1957-58	1957 crops	1958 crops	Average price received	Parity price
Tobacco:							
Flue-cured	Ct. per lb.	51.5	55.4	50.8	54.6	60.4	61.1
Burley	Ct. per lb.	63.6	60.3	51.7	55.4	---	62.0
Food grains:							
Wheat	Dol. per bu.	1.97	1.94	2.00	1.82	1.73	2.42
Rye	Dol. per bu.	1.15	1.08	1.18	1.10	.974	1.61
Rice (rough)	Dol. per cwt.	4.86	5.06	4.72	4.48	4.79	6.02
Feed grains:							
Corn	Dol. per bu.	1.29	1.12	1/1.40	1/1.36	1.04	1.76
Oats	Dol. per bu.	.687	.611	.61	.61	.562	.890
Barley	Dol. per bu.	.990	.889	.95	.93	.865	1.36
Grain sorghums	Dol. per cwt.	2.05	1.72	1.86	1.83	1.57	2.68
Oilseeds:							
Cottonseed	Dol. per ton	53.40	51.10	46.00	45.00	43.20	70.30
Soybeans	Dol. per bu.	2.18	2.08	2.09	2.09	1.93	3.06
Peanuts	Ct. per lb.	11.2	10.3	11.1	10.7	10.5	13.1
Flaxseed	Dol. per bu.	2.99	2.93	2.92	2.78	2.60	4.36
Dry edible beans	Dol. per cwt.	6.91	7.11	6.31	6.18	6.56	9.30
Cotton:							
American Upland	Ct. per lb.	31.75	29.50	28.81	31.23	33.26	38.80
Wool (grease basis)	Ct. per lb.	44.3	53.7	62.0	62.0	35.9	71.2

1/ Support price in commercial area, in compliance with allotments. For corn produced in the commercial area not in compliance, the rate in 1958 is \$1.06 and in 1957, \$1.10.

chickens, broilers, and turkeys all registering increases. Lower average prices for dairy products, on the other hand, were responsible for a slight drop in cash receipts from this source.

Crop receipts during the first 10 months of 1958 were up about 14 percent from a year earlier, reflecting substantial increases in marketings. Cotton and wheat marketings were up sharply and contributed substantially to the total rise in cash receipts from crops. Smaller increases in cash receipts were also shown for soybeans, barley and grain sorghums.

LIVESTOCK AND MEAT

For more than two years cattle and hog prices have trended upward together. In 1959 they will take separate courses. Prices of cattle will likely hold up well but prices of hogs will decline considerably.

Prices of sheep and lambs, which always are influenced by the general level of cattle prices, will probably remain fairly stable in 1959.

Production of cattle is now on an uptrend. The inventory of all cattle on farms January 1, 1959 will be at least 2 to 3 million head above January 1958. Half to two-thirds of the increase will be in calves. Not all of the additional calves will be slaughtered during 1959, as more than usual will be retained for breeding or later feeding. Since cow slaughter will likely remain rather small, it is expected that total cattle slaughter in 1959 will not increase greatly. Should this hold true, it will likely put a firm support under prices of cattle during the year. Danger of the usual severe cyclical break in prices is still some distance in the future.

Fed cattle will show less price strength than other classes. Cattle feeding remains at high volume, and cattle are being fed to near record weights. The supply of beef available for consumption in 1959 probably will remain close to the 80.5 pounds per person estimated for 1958. This would be only moderately less than the 85.4 pound record set in 1956 and far above the 56 pounds to which consumption fell in 1951.

Greatest price strength will be in feeder and breeding stock, just as it has been in 1958. Chief reason lies in the abundance of low-cost feed. The bumper 1958 feed harvest, second in consecutive years, has given another boost to demand for feeder stock, especially calves. Higher calf prices are in turn reflected in higher prices for cows. Both cow and calf prices are unusually high relative to slaughter steer prices. They probably will stay high.

Movement of cattle into feedlots was slow to get underway in late summer this year but proceeded fast beginning in early fall. The January 1, 1959 inventory of cattle on feed will almost certainly exceed last January and may set a new high. Prices of fed cattle may strengthen temporarily late in 1958 but a seasonal decline appears probable this winter, in contrast with the steady advance to a March peak that took place last winter. It will be touch-and-go as to whether feeders earn more than a normal or average profit in their feeding for later winter or spring sale. Prospects appear somewhat brighter for returns from sales later in the year.

Prices of hogs will be lower in 1959 because production is increasing. Farmers' intentions have pointed to at least a 14 percent larger 1958 fall pig crop. Producers in 9 States have planned for 20 percent more sows to farrow in December-February, which is the first half of the spring season. The extent of price reduction in 1959, and the seasonal pattern of prices, will depend to great extent on how much farrowings are increased in March-May, the second half of the spring season. If 20 percent more sows farrow then also, prices of hogs could drop to rather low levels in the fall of 1959. If the March-May increase should be smaller, the price impact would be less. Farrowings have been moved earlier in recent years, and if they should be still earlier in 1959 the seasonal distribution of farrowings and marketings would be much improved compared with three or four years ago. Prices would average substantially lower than in 1958, but severe declines during the fall would be unlikely.

Numbers of sheep and lambs on farms are being increased during 1958 by around $1\frac{1}{2}$ to 2 million head. An uptrend will likely continue in 1959. Prices may average almost as high in 1959 as in 1958. A downturn in prices of sheep and lambs may be expected to accompany a downturn in cattle prices in some future year.

Consumers will have more meat to eat in 1959 than in 1958--perhaps about 4 pounds more per person. The 1959 consumption rate may be about 10 pounds less than the high mark in 1956. The increase over 1958 will be almost entirely of pork. Higher grade beef from fed cattle will remain fairly abundant, but the lower grades of beef will continue scarce and relatively higher in price. Beef prices on the whole are not expected to differ much from 1958, but pork prices will be lower.

DAIRY PRODUCTS

Production of milk in the United States in 1959 probably will be more nearly in balance with consumption of milk products in commercial outlets than in any of the past 6 years. Milk production decreased slightly in 1958, after rising in each of the last 5 years, and only a small increase is expected in 1959. On the other hand, with an expansion in consumer incomes in prospect, total consumption of milk products will increase fully as much as the population.

Prices to farmers for manufacturing milk and butterfat are being supported at 75 percent of parity this year, the lowest permitted by present legislation. The parity index has been essentially stable since last spring when the support level for this year was announced and if it continues so, the legal minimum support for 1959-60 will be near that of this year. The actual support level for the marketing year to start next April 1 will be announced before that time. With production likely to continue above commercial use, prices to farmers for manufacturing milk and butterfat are likely to continue around supports in 1959.

Milk cow numbers dropped $3\frac{1}{2}$ percent in 1958, largely because of the rise in price of meat animals. Except in 1948, when the decrease was 4 percent, this was the largest decrease of the postwar period. The number of milk cows on farms declined an average of less than 2 percent per year from 1944 through 1957, with only one increase--in 1953.

The number of cows probably will decline further in 1959, but probably not as much as in 1958, since presumably the major adjustment to the sharply higher meat animal prices has taken place. Milk cow numbers probably will continue to trend downward after 1959, but the rate likely will be nearer the long-term average of a little under 2 percent per year.

The average cow in the United States produced nearly 6,300 pounds of milk in 1958. It first reached 5,000 pounds in 1947. Production per cow has been increasing between 2 and 3 percent per year on the average for more than a decade. This has been accomplished by selection of superior producing strains and feeding of larger quantities of concentrates, along with increased amounts and improved quality roughages. Rates of increase in milk output per cow are not likely to fall off for some time, judging from changes in rates for some States with high averages and foreign dairy producing countries.

Total milk output increased from less than 115 billion pounds in 1952 to a record 126.4 billion in 1957. This followed a decade of no net increase. Total milk flow probably will increase slightly in 1959 and in subsequent years probably will show further substantial increases. Large feed supplies and increased output of meats are probable, and prices of hogs and beef cattle may become less favorable compared with dairy prices over the next 5 years than in 1958.

Milk prices to farmers declined slightly in 1958, following the lowering of price supports on April 1. With little, if any, increase in sales, cash receipts declined a little in 1958 but in 1959 probably will be close to the record 4.6 billion dollars reached in 1957.

Consumption changes from 1957 to 1958 varied among products. Commercial takings per person of butter, whole milk and evaporated milk declined slightly. On the other hand, use of American cheese increased sharply to a new record high, presumably partly reflecting the sharp rise in retail prices of red meats. The drop in fluid milk use may have been associated with the small drop in consumer incomes and increased unemployment. Butter use per person is near the average of recent years, though less than half pre-World War II levels. Use of margarine increased to a record 9.1 pounds in 1958, compared with 8.6 a year earlier and the 1935-39 average of 2.9 pounds.

Total consumption of the different dairy products (combined in terms of milkfat), per person showed a slight rise from 1957 to 1958 but is about 14 percent below the early 1940's. The rise in the per capita rate in 1958 over 1957 reflects increased distribution from CCC holdings and larger distribution of milk in school milk programs; consumption of all products combined from commercial sources declined in 1958. With an increase in consumer incomes likely in 1959, some increase in per capita consumption of whole milk and ice cream may occur next year. Consumption of all products per person will total at least as large as in 1958. Hence, total use of milk products will increase fully as much as the population in the next year, which currently runs about 1.8 percent per year. In view of the prospective small change in milk output, this suggests that production and commercial consumption of dairy products will be more nearly in balance than at any time since 1952.

So far this marketing year (which began April 1), CCC purchases of butter and cheese combined, have been only a little over half those of a year earlier (on a milk equivalent, fat solids, basis). On the other hand, purchases of nonfat dry milk are about as large. In the 12 months ended March 31, 1958, the CCC bought the equivalent of 6.8 billion pounds of milk, fat solids basis. In the current marketing year purchases will be fully 3 billion pounds or about 2.5 percent of production. On the other hand, purchases of solids-not-fat in cheese and in nonfat dry milk, will account for around 7 percent of output. Stocks owned by CCC currently are the lowest in 6 years for cheese. Butter and dry milk stocks, while also comparatively small, are a little above a year earlier.

Prices of dairy products from other dairy countries were sharply reduced in the past year, further reducing export outlets for U. S. dairy products, of which commercial movement at domestic price levels accounted for less than one-fifth total dairy product exports last year. Imports of dairy items by the United States were again at quota levels, little changed from other recent years.

POULTRY AND EGGS

Supplies of poultry meat will be larger in the first few months of 1959 than in the same months of 1958. Egg supplies also will be larger until at least late summer. Broiler and egg prices in these periods are likely to be below the corresponding months of 1958.

The level of broiler supplies after mid-spring is less certain, but is likely to remain above 1958. At least until the middle of 1959, a pressure toward larger broiler production will originate from the large prospective supply of hatching eggs. For the year as a whole the production-boosting effects of broiler-financing will help to keep output up. However, the production increase in 1959 is not likely to be as large as in 1958 when output is rising 15 percent above 1957, when about 1,450 million broilers were produced.

Broiler prices in 1959 are likely to be lower than the 18 cent per pound average foreseen for 1958. Prices in early 1958 were sustained by reduced and delayed marketings caused by adverse growing conditions early in the year, and by the high prices for red meats. Production increases after mid-year resulted in lower prices. The average for October was the lowest for that month since estimates were begun in 1940.

Turkey slaughter in the first half of each year is seasonally small. In January-June 1959 it will be larger than usual because of the large hatchings of poults in recent months, and the continuing large supplies of hatching eggs. In addition, cold storage stocks of 1958-crop turkey at the beginning of 1959 will probably be as large or larger than the record holdings of 241 million pounds a year earlier. Since total supplies until mid-year will exceed 1958, prices during early 1959 are not likely to exceed the 25.6 cent average of January-June 1958. Later in the year prices will reflect the size of the 1959 turkey crop.

Egg production after about August or September will increasingly reflect changes in the size of the laying flock. Even if slightly fewer replacement chickens are raised in 1959 than the 436 million of 1958, increases in rate of lay per bird are likely to result in higher egg production than a year earlier for every month in 1959. In the first 2 quarters of the year egg prices are likely to average below 1958 and perhaps about the same in the 3rd quarter. But in the final quarter egg prices may be higher than in 1958, because there likely will be a greater spring-to-fall tightening of egg supply than in 1958 if fewer replacement chickens are raised than in 1958. The resulting average is likely to be lower than the 38 cent per dozen average price to farmers expected for 1958.

The expected increases in egg production will not be great enough to markedly raise per capita egg supplies, in view of the concurrent population increase. Average consumption in 1959 will be about 350 eggs per person, compared with 348 likely for 1958. Per capita consumption of turkey likely will be in the neighborhood of 5½ pounds in 1959, and chicken almost 29 pounds, compared with 5.6 and 28.5 in 1958. As in 1958, more than three-quarters of the chicken supply will be from broilers.

In late 1958, USDA programs were begun for the purchase of frozen turkeys and dried whole egg for School Lunches. From late July through November 6, contracts were let for the delivery of 21 million pounds of ready-to-cook turkey. About 2 million pounds of dried egg were brought from mid-October to November 6.

OILSEEDS, FATS AND OILS

The outlook for fats and oils in the 1958-59 marketing year which began October 1 is influenced largely by the record supplies of edible fats, oils and oilseeds. The total oilseed tonnage is 18 percent above last year's record, reflecting bumper yields per acre for soybeans, cottonseed and peanuts. Supplies of all oilseeds and peanuts are plentiful and farm prices are likely to average near support and less than a year ago.

As supplies of food fats available in 1958-59 are well in excess of probable domestic use, exports will have to be somewhat larger than last season if an increase in stocks is not to take place. A heavy outward movement of edible oil from the United States is expected to result from sales for dollars, plus another large P. L. 480 program. Additional agreements for large quantities of edible oils are in prospect over the next several months. The strength of export demand will again be a major price influencing factor on the level of domestic prices for fats, oils and oilseeds. Prices of most food fats probably will average lower than last year.

Current indications suggest that exports of food fats in 1958-59 may again be large. Last year about 2.6 billion pounds were shipped out. Competition in world markets will continue strong as exportable supplies remain heavy in some foreign countries. A little more lard is expected to be exported during the current marketing year and programming of edible oils under P. L. 480 may be substantial.

Domestic disappearance of food fats and oils in 1958-59 is expected to average around 45 pounds (fat content) per person, close to the year-earlier rate. The pattern of use is expected to closely parallel that indicated for 1957-58. During 1957-58, the apparent use of margarine, shortening, and salad and cooking oils was above the rate for 1956-57. Margarine use per person set a new record in 1957-58, while butter consumption may have slipped a little.

The total supply of soybeans in 1958-59 is placed at 594 million bushels, 104 million more than last year's peak. Soybean exports, crushings and carry-over stocks are expected to reach new highs. Most of the carryover of 1958 crop soybeans next October 1 is likely to be in the hands of CCC.

Cottonseed output is placed at 4,828 thousand tons, nearly 5 percent more than a year ago. Cotton acreage is down sharply this year because of heavier participation in the Soil Bank program, but cotton yield per acre is record high. Prices to farmers are expected to average near the support price of \$41 per ton (CCC purchase price to producers, basis grade, 100), about \$10 below last year.

Cottonseed prices in some areas of Texas, New Mexico and Oklahoma have dropped below support and CCC is acquiring some cottonseed. A disposal plan for cottonseed acquired by CCC under price support operations in these States was announced on October 22, 1958. Under the plan, cottonseed (1) will be offered to crushers on competitive bid basis--crusher to pay support price for seed f.o.b. gin or other point of delivery, keep all products except oil, and submit bid on price at which he will sell to CCC oil produced from seed; or (2) may, in some instances, be stored for later disposition.

The 1958 flaxseed crop totaled 40 million bushels, 55 percent larger than the small crop of 1957. The crop is likely to be about 25 percent more than probable commercial uses and CCC probably will acquire the surplus. Farmers placed 2.8 million bushels of flaxseed, 7 percent of the crop, under support programs through September. They can continue to do so through January.

Peanut production this year at 1,849 million pounds is up 28 percent from last year. A crop this size is much greater than probable food and farm uses and a large quantity will be available for crushing, exports and for addition to stocks.

Production of inedible tallow and greases in 1958-59 may rise somewhat above the 2.7 billion pounds of a year ago. The rise would reflect mainly an increase in hog slaughter as cattle slaughter is expected to be maintained at the 1957-58 level. However, total disappearance probably will be sufficient to absorb the available supplies without much change in stocks.

Lard supplies in 1958-59 will be about 235 million pounds more than last year if production increases as anticipated. More lard probably will be used in shortening as prices are likely to average lower than last year and will be more in line with edible vegetable oils. Present prospects suggest that exports will rise slightly above last year's level.

Butter production in 1958-59 probably will be close to the 1,530 million pounds a year earlier. Output since 1953 has been relatively stable at about this level. Butterfat support prices have been at 75 percent of parity since April 1, 1958, and prices have averaged 1 to 2 cents less than a year earlier. Wholesale butter prices have increased recently with the seasonal downturn in production and drop in CCC purchases. Production will begin to rise again by the latter part of November. Prices after March 1959 will depend mainly on the level of support to be established for the 1959-60 dairy marketing year. By present legislation, it can be between 75 and 90 percent of parity.

Supplies of tung oil in the 1958-59 marketing year are placed at around 96 million pounds, roughly 21 million more than last year. This would be enough tung oil to satisfy domestic requirements for two years at current consumption levels. Current prospects indicate tung oil prices will average near the support level, which is a little higher than last year. Large carryover stocks (nearly all in the hands of CCC) along with the bumper 1958 crop will keep prices near the loan level during most of the marketing year.

FEED

Record feed supplies now on hand dominate the outlook for feed in 1958-59 and for the next few years. The bumper feed grain crops of 1957 and 1958 have boosted supplies of feed grains and other concentrates sharply during the last 2 years. The record supply of 242 million tons of feed concentrates for 1958-59 is 10 percent larger than that of 1957-58 and nearly a third above the 1952-56 average. Record supplies of hay and high-protein feeds also are in prospect.

Feed grain prices are expected to average a little lower in 1958-59 than in 1957-58, reflecting larger production and a slightly lower level of Government price supports. During the coming winter, prices may average near last year's level, but they probably will be lower next spring and summer than in 1957-58 when they advanced more than seasonally.

Heavier feed consumption is in prospect in 1958-59; livestock production is increasing, following the favorable livestock-feed price ratios of the last year or so. Exports of feed grains are expected to continue close to the record level for 1958-59. But even allowing for heavier utilization, the total carryover of feed grains into 1959-60 is expected to increase to around 75 million tons, 16 million more than the 1958-59 carryover.

High yields per acre have played a major role in the sharp increase in feed grain production and stocks in recent years. This year per acre yields of each of the four feed grains set new records, following record or near record yields in 1956 and 1957. Total feed grain utilization has been below production (plus imports) in each of the last 6 years, by 3 to 7 percent. In 1958-59 utilization is expected to be around 10 percent below this year's big crop.

The 1958-59 corn supply is now estimated at 5,154 million bushels, 330 million more than last year and over a billion bushels above the 1952-56 average. The 1958 crop, estimated in October at 3,686 million bushels, is expected to exceed total 1958-59 utilization by around 300 million bushels, increasing the carryover on October 1, 1959 to nearly 1.8 billion bushels.

The sorghum grain supply for 1958-59 is estimated at over 900 million bushels as a result of another very favorable growing season this year. Carryover stocks next October 1 are expected to be up to around 525 million bushels. The big 1958 crops of oats and barley also are expected to leave large carryover stocks of these grains into 1959-60.

Farmers on November 25 will indicate by vote whether they favor the new corn program provided for in the Agricultural Act of 1958, or a continuation of the present acreage allotment program. If farmers favor the new program, acreage allotments will not be established in 1959 and price supports will be available to all corn producers at a national average rate of around \$1.12 to \$1.15 per bushel. The 1958 national average support to complying producers in the commercial area is \$1.36 per bushel and to noncompliers, \$1.06.

The 1958 hay crop was nearly equal to the record crop of last year and total supplies are the largest of record. Supplies of forages are well distributed by areas, being above average in all regions. The 1958 growing season also was favorable for ranges and pastures, which furnished much more than the average quantity of feed for livestock last summer and this fall.

The total supply of high-protein feeds is expected to be up around 4 percent in 1958-59, continuing the upward trend of recent years. Larger supplies of soybean meal, cottonseed meal and animal proteins are in prospect. Prices of protein feeds are expected to be more stable in 1958-59, probably averaging a little lower than during the past feeding season.

WHEAT

The carryover of wheat at the end of the 1958-59 marketing year may be about 1,300 million bushels, over 400 million above July 1, 1958 and the largest in our history. A further increase may occur in 1959-60 since yields at the average of recent years would result in the production of more wheat than would be used in this country and exported. The increase in the carryover this year will be the first since 1955. From 1955 to 1958 the carryover was reduced 155 million bushels.

Total supplies of wheat for the year beginning July 1, 1958 are estimated at 2,340 million bushels, 14 percent above the previous record in 1956-57. Supplies consist of the carryover of about 880 million bushels, production of nearly 1,450 million and an allowance for imports of about 10 million bushels, mostly feeding quality and seed wheat. The 1958 crop is an all-time record and results from record high yields.

Domestic disappearance in 1958-59 is estimated at about 610 million bushels, not greatly different from recent years. Exports may total about 430 million bushels compared with 402 million in 1957-58.

With acreage allotments and marketing quotas in effect for 1959, and no Acreage Reserve Program, about 55 million acres of wheat probably will be harvested. Conditions for winter wheat started out excellently, but subsequently the crop has encountered a period of dry weather. If the 1956-58 average yield of 23.0 bushels per acre should be obtained, a crop of about 1,265 million bushels would be produced. If disappearance should hold at the 1958-59 estimated level of 1,040 million bushels, a crop of this size would again increase the carryover on June 30, 1960 by over 200 million bushels.

The national average support price to producers for 1958-crop wheat was announced on July 1 at \$1.82 per bushel, an increase of 4 cents per bushel over the "advance" minimum price announced in April 1957. The national average support for the 1957 crop was \$2.00 per bushel. The "advance" minimum support for the 1959-crop wheat was announced on May 1, 1958 at \$1.81. The \$1.81 reflects 75 percent of the estimated July 1, 1959 modernized parity price for wheat. This minimum support price will not be reduced but will be increased if the 75 percent of parity price as of July 1, 1959 indicates a higher support price.

In 1959-60, the full support level will be available in the 38 commercial wheat States to producers who comply with their individual farm acreage allotments. Support rates for wheat produced in the 10 noncommercial wheat States are set by law at levels representing 75 percent of the rates calculated on the national average. In the noncommercial States, acreage allotments and marketing quotas will not apply.

RYE

The supply of rye for 1958-59 totals 47.2 million bushels. This consists of a carryover of 9.7 million bushels, estimated production of 34.1 million and imports of 3.4 million (restricted by quotas). This supply compares with 36.4 million bushels a year ago and the 1952-56 average of 39.8 million.

Domestic disappearance of rye in 1958-59 may total about 24 million compared with 23.2 million in 1957-58, and 23.4 million the 1952-56 average. Rye exports may total about 7 million bushels, which is above the 3.5 million in 1957-58 and the 5 year average of 4.2 million. Based on these estimates, the carryover July 1, 1959 may be about 16 million bushels, 6 million above a year earlier and about 4 million above the average of 12.2 million.

If about 1.8 million acres of rye (the 1954-58 average) are harvested in 1959 and yields are about equal to the 5-year average of 15.2 bushels, a crop of about 27.2 million bushels would be produced. With a carryover of about 16 million bushels and imports assumed at 3.4 million, supplies would total 46.6 million bushels. If domestic use and exports were the same as estimated for 1958-59, the carrycut would be about unchanged from a year earlier.

The 1958 rye crop is being supported at an average of \$1.10 per bushel. In 1957 the average support was \$1.18 and in 1956, \$1.27 per bushel. Reflecting primarily the larger crop, prices in July-October were 7 percent lower than a year earlier.

RICE

The carryover of rice at the end of the 1957-58 marketing year was slightly lower than a year earlier, and a substantial reduction is expected by the end of 1958-59.

The 1958-59 supply of rice, estimated at 66.0 million cwt., is a little larger than the 63.5 million cwt. a year ago, as record yields and increased acreage boosted the 1958 crop a tenth over 1957. This was more than enough to offset the reduction in carryover.

Use of rice in this country during 1958-59 is expected to total about 26.6 million cwt., slightly above 1957-58. Exports may reach about 27 million cwt., sharply above the 18.3 million in 1957-58. As a result, the carryover at the end of the current season may be down to around 12 1/2 million cwt., compared with 18.1 million on July 31, 1958.

In 1957-58, the price of rice to farmers averaged 34 cents above the national average support of \$4.72 per cwt. In 1958-59, they are expected to again average somewhat above the support rate announced at \$4.48 per cwt.

FRUIT

Consumer demand for fruit in the United States in 1959 is expected to be at least equal to that in 1958. World demand for fruit continues good, but United States fruit in Western European markets will face the competition of increased foreign supplies in 1958-59. Assuming average weather, total production of deciduous fruit in the United States in 1959 probably will not differ greatly from that in 1958. But total production of citrus fruits in 1959-60 probably will increase, especially as citrus groves in Florida make further recovery from the freezes of 1957-58.

The export outlook for fruit in 1958-59 is marked by higher levels of purchasing power and gold and dollar holdings than a year ago in most European countries, the destinations of a large volume of U. S. exports. Moreover, import conditions in the British market are more liberal than they were last year. On the other hand, deciduous fruit crops in Europe are much larger this year than the poor crops in 1957, and production of citrus fruits in the Mediterranean area is expected to be heavier in 1958-59. The net effect probably will be some reduction in total exports of fresh fruit. But exports of canned and frozen fruits and juices are likely to increase.

Increased production of oranges, tangerines and grapefruit is in prospect in 1958-59. The 1958-59 crop of early and midseason oranges is up 2 percent from the reduced 1957-58 crop and the prospective crop of Valencias

in Florida is up 14 percent. The Florida tangerine crop is nearly double the reduced 1957-58 crop. On October 1, 1958, prospects for the California Valencia orange and lemon crops were more favorable than a year earlier. With increases in Florida and Texas, production of grapefruit (excluding the California summer crop) is expected to be about 7 percent larger than the relatively light 1957-58 crop.

Harvest of the new crops of grapefruit and oranges in Florida started several weeks later this fall than last as a result of delayed maturity of the fruit. Fresh market shipments of grapefruit increased rapidly from early October, and those of oranges less rapidly from mid-October. By late October, both were still moving in lighter volume than a year earlier. Both shipping point and terminal auction prices for the early-season sales of these two fruits averaged much above a year earlier. Demand for citrus for processing as well as for fresh use is expected to be stronger this fall than in the pre-freeze period of 1957-58. Contributing to this expectation is the fact of much lighter carryover stocks of frozen and canned citrus juices held by packers this fall than last.

Total production of deciduous fruits in 1958 was about 4 percent larger than in 1957 and 3 percent above the 1947-56 average. Among the fruits that will continue to be marketed this fall and winter, production is larger than in 1957 as follows: Apples, 6 percent; grapes, 12 percent; and cranberries, 6 percent. But production of fall and winter pears is down 18 percent. In late October, shipping point prices for most leading varieties of apples were under a year earlier. With sales of Bartlett pears on the principal auctions heavier in late October than a year earlier, prices averaged somewhat below year-earlier levels. But with lighter sales, prices for California grapes on the principal auctions, and Massachusetts cranberries on the New York wholesale market, averaged higher than in the same period of 1957.

The 1958-59 pack of canned fruits will not be quite as large as the heavy 1957-58 pack if current prospects for total output materialize. All packs for which complete figures so far are available are smaller than in 1957-58. These lighter packs probably will be partly offset by increases in canned apples and applesauce. Carryover stocks of most canned fruits held by packers last summer were smaller than a year earlier. Grower prices for most deciduous fruits for processing, with apples the main exception, have been higher in 1958 than in 1957. Carryover stocks of Florida canned citrus sections and salad as well as of juices are much lighter than a year ago. Moreover, because of the late maturity of the fruit in Florida, heavy-volume packing is expected to be attained several weeks later than in 1957-58.

Output of frozen deciduous fruits and berries (excluding juices) is expected to total somewhat smaller in 1958 than in 1957, chiefly because of a much lighter pack of frozen cherries. The pack of frozen strawberries, the leader among deciduous fruits and berries, may not be greatly different from the large 1957 pack. Total cold storage stocks of frozen deciduous fruits and berries on October 1, 1958 were about 4 percent lighter than a year earlier.

Although supplies of frozen citrus concentrate will continue relatively light this fall, they are expected to become seasonally heavy after January 1 as processing gets well under way. Use of oranges for processing is expected to be up in 1958-59, with most of the increase going into frozen concentrated orange juice.

Production of dried fruits in 1958 is expected to total somewhat below the relatively light tonnage of 1957 because of smaller output of prunes and raisins. Total supplies of dried fruits are expected to be the smallest in 40 years.

With heavy increases in walnuts and pecans more than offsetting large decreases in almonds and filberts, total production of these four tree nuts in 1958 is about 6 percent larger than in 1957 and 1 percent above average. Assuming average weather, total production in 1959 may be little changed from the tonnage in 1958.

COMMERCIAL VEGETABLES

For Fresh Market

Disposable income is expected to be higher in 1959 than in 1958, and demand for vegetables is expected to continue strong. Thus, prices received by growers for fresh market vegetables, compared with a year earlier, will depend largely on the volume and quality produced and on the seasonal pattern of harvesting.

Supplies of fresh market vegetables this fall may be a little larger than either last fall or the 1949-56 average. Most of the prospective increase over a year earlier is in early fall cabbage and in early and late fall cauliflower. Estimated production of sweet corn and eggplant, and early fall spinach and tomatoes is also up. During the last few weeks of fall, supply of lettuce is also expected to be larger than a year earlier. But less snap beans, Brussels sprouts, green peppers, and late fall celery are in prospect. Supply of dry onions is also smaller. Assuming more normal weather, particularly in Florida, supply of fresh vegetables this winter probably will be substantially larger than last winter.

Partly because of later cold weather than usual in Northern areas, local supplies of vegetables held up well and prices received by farmers in early fall averaged somewhat below those of a year earlier. During the remaining weeks of fall, however, prices to growers are likely to average near those for the corresponding weeks of 1957. Should weather be more normal in winter vegetable producing areas, prices of fresh vegetables this winter probably will average much below the very high levels of a year earlier.

For processing

Indications are that supplies of canned vegetables available for distribution into mid-1959 are a little larger than last season and materially larger than the 1949-56 average. Among major items, tomato juice and tomato products appear to be in heaviest supply relative to last year. Whole tomatoes and snap beans are also likely to be up. Green peas remain in heavy supply.

Canned corn promises to be down substantially from the burdensome supply of a year earlier, and supplies of lima beans and beets are expected to be somewhat smaller. Supplies of frozen vegetables are somewhat smaller than a year earlier. But stocks are materially above the 1952-56 average, with most items in ample supply.

Both processing and distribution costs are up. Some processors may not be able to pass along all the increase in costs. Nevertheless, retail prices of most processed items are expected to average a little higher than a year earlier.

POTATOES AND SWEETPOTATOES

Production of fall crop potatoes was 12 percent larger than last year, and considerably in excess of normal market sales. The heavy supplies have seriously depressed markets. Prices received by growers in October averaged \$1.02 per hundredweight, compared with \$1.55 in October, 1957. Federal and State marketing orders and agreements, which permit growers to market for tablestock only good quality potatoes of preferred sizes, are again in effect in many important producing areas. The Department of Agriculture is also operating a potato diversion program in areas where satisfactory marketing plans have been developed. These programs will help lighten the pressure of the heavy supplies. Nevertheless, heavy supplies of potatoes will be available in regular market channels during the marketing season; and prices received by farmers are expected to continue well below those of a year earlier. Retail prices are also likely to average lower.

Production of sweetpotatoes in 1958 was substantially the same as in 1957. However, prices during most of the early part of the season have been a little lower than in the corresponding months of 1957. Prices are expected to advance seasonally into winter and spring, but are likely to average moderately below those of a year earlier.

DRY BEANS AND PEAS

Supplies of dry edible beans are materially larger than a year ago and in excess of anticipated domestic and export sales. The larger supplies compared with a year earlier were the result of a tenth larger acreage and record average yield. Prices received by growers on October 15 averaged 6.56 per hundredweight, slightly less than in mid-October 1957. Heavy supplies are expected to keep pressure on markets, with prices into mid-1959 likely to average moderately to substantially below those of a year earlier.

Supplies of dry field peas are much smaller than either a year ago or the 1949-56 average. Because of a poor pea crop in Europe, export demand is strong, and prices are almost double the low levels of a year earlier. However, with lighter supplies and much higher prices compared with a year earlier exports are expected to be materially smaller than last season. Domestic use of dry peas also is expected to be smaller this season than last.

COTTON

The supply of cotton in the U. S. in the current season will total close to $20\frac{1}{2}$ million bales. This is considerably smaller than the record of 27.6 million bales in 1956-57 and about 2 million bales below 1957-58.

The August 1 carryover was 5.8 million bales below the record high of 14.5 million on August 1, 1956 and 2.6 million below a year ago. Disappearance is expected to decline for the second consecutive year to around 12 million bales. However, it will exceed the 1958 crop, estimated on October 1 at 11.6 million running bales, and some further small decline in the carryover is likely. The 1958 crop is being harvested on the smallest acreage since 1876, but yields set a new record of 469 pounds per acre.

About 5.2 million bales of the 1958 crop had been ginned as of October 17. Ginnings thus equal 45 percent of the estimated crop compared with postwar average of 51 percent for the same period, an indication of the lateness of the 1958 crop.

CCC loans outstanding on 1958 crop cotton on October 24 covered 1,534,000 bales compared with about 532,000 bales a year earlier. Total stocks of cotton held by CCC (owned and held as collateral against outstanding loans, but excluding sales for export) were about 3.9 million bales on October 18; about a year earlier such stocks were approximately 5.5 million bales.

Exports of cotton during the current season are estimated at around 4 million bales, compared with 5.7 million bales last season, and 7.6 million bales in 1956-57, the highest in 23 years.

Lower U. S. exports in 1958-59 are expected to result from a reduced demand and increased competition in foreign markets. Beginning stocks in exporting countries are above a year ago, production is again increasing this season and consumption in most major importing countries has eased. Prices of most foreign growths, has been declining and are currently below comparable U. S. qualities in major import markets.

The U. S. Government has allotted about 238 million dollars as of November 1 to finance the export of cotton during the fiscal year ending June 30, 1959. If completely used, these funds will finance the export of about 1.5 million bales. In the year ended June 30, 1958, about 360 million dollars were used covering about 2.3 million bales. The CCC has sold about 1.4 million bales of cotton for export during the 1958-59 marketing year as of October 31. A year earlier about 3.7 million bales had been sold for export in the 1957-58 marketing year.

About 1.5 million bales of cotton from 1957 and prior years have been listed by CCC in the catalog and are available for export sale. CCC also owns about .9 million bales of the 1957 crop of upland cotton which have not been cataloged. Cotton is available for sale by CCC only when it is listed in the the catalog.

Domestic mill consumption of cotton in 1958-59 is not expected to vary greatly from the 8.0 million bale, level reached in 1957-58. Cotton consumption has not kept pace with the rise in per capita real income and inventories of gray goods at the mill have been high in relation to unfilled orders. The consumption of cotton per capita in 1957 was about 9 percent lower than in 1956. Of all fibers only noncellulosics, like nylon, showed an increase in per capita use in 1957.

The difference between the market price and the support rate for Middling 1-inch cotton has widened during the current season. The monthly average 1⁴ spot market prices from August through October 1958 were more than 1 cent higher than during the same months a year earlier. On the other hand, the average support rate was 2 3/4 cents higher, thus market prices have averaged well below support. This accounts for the large loan entries compared with last year. The spot market quotations reflect prices paid by domestic users. Prices paid by exporters are reflected by CCC selling prices for cotton for export. These have ranged from 28.36 to 28.85 cents per pound, basis Middling 1-inch cotton, average location, since the start of sales by CCC for export during the current season on May 12, 1958.

Average prices received by farmers and parity prices during the current season have averaged far above a year earlier. In mid-October the average price received by farmers for upland cotton of 32.36 cents per pound was about 1 cent above a year earlier. The mid-October parity price of 38.80 cents was 1.74 cents above a year earlier.

WOOL

The 1958-59 world wool clip is expected to be as large as, or slightly larger than that for 1957-58. The sharp decline in consumption suggests some stock accumulation and larger total world supplies.

The seasonally adjusted rate of consumption in the 10 countries as a group which report quarterly to the Commonwealth Economic Committee, dropped sharply in the third quarter of last year and continued to decline through the second quarter of this year, the latest quarter for which information is available. The decline largely reflected a world-wide textile recession associated with a working down of inventories of manufactures. These countries normally account for about two-thirds of total world mill use.

In the United States, mill use of both apparel and carpet wool began to ease off after reaching a cyclical peak around mid-1956. The decline in use of apparel wool "bottomed out" at about the turn of this year. The textile recession, accompanied by a reduction of inventories of textile products in manufacturing and distribution channels, probably was the major factor in the decline. But the long-term trend to lighter-weight clothing and increasing competition from manmade fiber also contributed. The decline in economic activity toward the end of last year apparently accelerated the decline.

During the first 9 months of this year, domestic mills used about 15 percent less apparel wool than during the corresponding months of last year. However, the rate of consumption has been moving upward since the beginning of this year. The September rate was less than 1 percent lower than a year earlier. Seasonally adjusted, the September rate was roughly one-fourth lower than when the decline began, but almost one-third higher than it was at the low of the decline. With inventories of wool products in manufacturing and distribution channels apparently sharply reduced and a further expansion in economic activity in prospect, consumption during the remaining months of this year is likely to average above last year. Total consumption in 1959 probably will be up from this year. It appears that the decline in domestic mill use of carpet wool also may have reached bottom and that some improvement may be in prospect.

Aggregate consumption in the other 9 reporting countries dropped sharply during the third quarter of last year and continued to decline through the second quarter of this year. The drop over the 12-month period was 17 percent.

Except for temporary interruptions, the general movement of wool prices in world markets has been downward since May 1957 when wool prices were at the peak of an 18-month advance. Late in October, prices ranged from 20 to 30 percent lower than a year earlier and from 30 to 45 percent lower than when the decline began. In terms of cents per pound, clean basis, the declines range from 20 to 55 cents from a year earlier and from 35 to 75 cents from May 1957. The general decline in prices is largely a reflection of a weakening of world demand. When the price decline began, world stocks of the raw fiber were being reduced. Subsequently, some stock accumulation may have taken place and larger supplies may have become a price-depressing factor.

Prices received by domestic growers for shorn wool reflect the decline in prices in world markets. During the first seven months of the current domestic marketing season, the monthly averages of prices received ranged between 35.9 and 37.7 cents per pound, grease basis. The averages for those months ranged from 14.9 to 19.8 cents below a year earlier.

The outlook for wool prices over the next few months is uncertain. However, in view of the much lower prices received to date and the current low level of prices relative to a year ago, it is expected that the average for the entire season will be considerably lower than the average of 53.7 cents of last season. The average return to the producer will, of course, be the same as last season since the incentive level is unchanged at 62 cents. But the Government payment rate needed to bring the average return up to the incentive level is expected to be considerably higher.

With larger supplies apparently in prospect, any substantial improvement in wool prices is contingent upon the extent of the expected pickup in world demand. It appears reasonable to expect some improvement in world demand for the fiber when inventories of wool products in manufacturing and distribution channels abroad approach better working levels and economic activity in the other major consuming countries improves. The timing and extent of the pickup will determine whether or not prices received for wool sold during the

season beginning next April 1 average higher than this season. Domestic producers are assured an average return per pound equal to that for this and the 3 preceding seasons since the incentive level is being continued at 62 cents. However, the return per pound to individual producers will vary, depending upon the price received in the open market. In the calculation of the Government payment for individual producers, the percentage needed to bring the average return of all producers up to the incentive level is applied to each producer's cash return from the sale of his wool in the open market.

TOBACCO

Cigarette output in 1959 is expected to continue its upward trend and top this year's estimated output of 457 billion. The 1958 estimate is more than 3 percent above 1957 and 18 percent above 10 years ago. U.S. smokers consume about 96 percent of all cigarettes manufactured in this country and commercial exports account for the other 4 percent. Domestic cigarette consumption is likely to rise as the result of the increase in population of smoking age and additional smokers among women. The swing to filter tips may also add to total sales since some persons smoking filter tips smoke more daily than when they smoked nonfilter tips. Probably around a half of all cigarettes now have filter tips compared with a little less than two-fifths last year.

Utilization of tobacco (farm-sales weight) in cigarette manufacture turned upwards in the year ended June 30, after declining for 4 consecutive years. The upturn was largely due to the increased number of cigarettes made since leaf used per unit of output was close to the figure of a year earlier. It is still too early to tell whether the average number of cigarettes obtained per pound of leaf tobacco has stabilized or may increase further. It seems likely that a further small increase in total use of tobacco leaf will take place in 1958-59.

Cigar and cigarillo consumption will probably make further gains in 1959. The 1958 estimate of consumption is 6.4 billion--3 percent above 1957 and 11 percent above 10 years ago. Probably an eighth of all cigars are now cigarillo-size in contrast with an insignificant fraction 10 years ago. Sheet tobacco binders have now replaced natural leaf binders on many major brands. This has greatly reduced the requirement for the binder tobacco types and production of the Connecticut Valley types has been drastically curtailed.

During 1958, consumption of smoking tobacco in pipes and roll-your-own cigarettes may total 77 million pounds--9 percent above 1957 but 28 percent below 10 years ago. The 1958 upturn in smoking tobacco is the first in 9 years. A further appreciable increase in 1959 does not appear likely in view of the generally favorable outlook for consumer income.

A continuing decline appears to be in prospect for chewing tobacco consumption. This year's output, estimated at 69 million pounds is 5 percent lower than in 1957 and 28 percent below 10 years ago. The 1958 output of snuff, estimated at 34 million pounds is 6 percent lower than in 1957 and 17 percent below 10 years ago when it was close to a postwar high. Snuff consumption in 1959 may hold near this year's level if industries in which workers commonly use snuff continue to expand.

Exports of unmanufactured tobacco in 1958 are estimated at about 520 million pounds (farm-sales weight)--7 percent below 1957 and 4 percent below the

1952-56 average. Increasing consumption of cigarettes in foreign countries and favorable levels of economic activity abroad are sustaining factors affecting exports of tobacco, but U.S. growers have faced increasingly greater competition from expanded production of tobacco in foreign producing areas. United States tobacco exports have held up fairly well on an absolute basis but in relation to the total volume moving in world trade, they have declined.

The total 1958-59 supply--this year's crops plus carryover--for most kinds of tobacco will be lower than for 1957-58. The 1958 production of flue-cured--the leading cigarette and export tobacco--though about 12 percent above last year's small crop is 21 percent below the 1952-56 average. Carryover of flue-cured is 8 percent smaller than a year earlier and total 1958-59 supply is about 3 percent less than 1957-58. By early November, over nine-tenths of the 1958 crop had been marketed at prices which averaged 57.9 cents per pound. This was 4 percent above the comparable period of last season. Approximately 12 percent of market deliveries were placed under Government loan.

The 1958 burley crop is estimated at nearly the same volume as last year but carryover is indicated to be down a little. The 1958-59 total supply of burley seems likely to be about 1 percent smaller than for 1957-58. The 1958 crops of burley will start to market around the last of this month. Prices are expected to average at least as high as last season when they were second highest on record.

The 1958-59 total supply of Maryland tobacco is estimated to be about 2 percent less than for either of the 2 preceding years. The 1958-59 total supplies of fire-cured and dark air-cured (including sun-cured) are estimated to be down 9 and 6 percent, respectively, from a year ago and the lowest for many years. The 1958-59 total supplies of continental cigar filler and shade-grown wrapper are indicated to be up a little from 1957-58 but 1958-59 supply of the combined cigar binder types is more than a tenth below last year. The major drop is in the supply of the Connecticut Valley binder types.

The 1959 marketing quota and acreage allotment for flue-cured will be announced by December 1 and 1959 quotas and acreage allotments for other kinds of tobacco will be announced by February 1. Soon after the quota announcements, growers of flue-cured, burley, Maryland, Virginia sun-cured and Pennsylvania filler will vote in separate referendums on whether they favor marketing quotas on their 1959, 1960 and 1961 crops. At least two-thirds of the growers voting must approve if quotas are to be in effect. Quotas will be in effect on the 1959 crops of fire-cured, dark air-cured, Connecticut Valley cigar binder and Ohio filler-Wisconsin binder since they were approved by growers voting in referendums held last February and in February 1957.

Government price supports for the kinds of tobacco under Federal marketing quotas are mandatory at 90 percent of parity except for the fire-cured, dark air-cured and sun-cured types. The support levels for the latter types are set at fixed percentages of the burley support (75 percent for fire-cured and 66-2/3 percent for dark air- and sun-cured) but they cannot go above 1957 levels unless 90 percent of the parities for these types exceed those levels.

FOREST PRODUCTS

The volume of industrial roundwood (all round timber products except fuelwood) produced in the United States in 1958 is estimated at 8.6 billion cubic feet. This is about 2 percent less than estimated production in 1957

and 10 percent below production in 1956. Stumpage prices showed a steady decline in 1957 and the first two quarters of 1958, and currently average considerably below prices received in 1956.

The drop in the production of industrial roundwood and stumpage prices has been related to the general decline in economic activity. In recent months, however, industrial production, employment and incomes have increased and housing starts, the most important source of demand for lumber, have reached the highest rate since the summer of 1956. This brightening economic outlook should mean a rising demand for industrial roundwood products such as pulpwood, veneer logs, and sawlogs.

Sawlogs and Lumber

The volume of sawlogs and lumber produced in 1958 is estimated at 33.0 billion board-feet. This is about 2 percent less than production in 1957 and 12 percent less than production in 1956. The West is expected to account for about 54 percent of total production, the South 33 percent and the North 13 percent.

In contrast to the sharp decline in production, sawlog price quotations have shown little change in recent years. According to prices quoted in the Timberman, the price of grade No. 1, Douglas-fir sawlogs in the Puget Sound and Columbia River log markets of western Oregon and Washington have generally ranged between \$55 and \$75 per thousand board-feet since 1951. On the basis of fragmentary information, it seems that prices of other sawlog species in other regions have also remained fairly stable.

The drop in sawlog and lumber production reflects a decrease in economic activity and continuing substitution of other materials for lumber--including both wood items such as plywood and paperboard and non-wood materials. The long term outlook, nevertheless indicates expanding markets for sawlogs and lumber along with rising levels of construction and business activity.

Pulpwood

Pulpwood production in 1958 is estimated at 33.5 million cords including about 4 million cords of residues. This is about 3 percent below production in 1957 and 5 percent below the peak year 1956.

Softwoods such as southern pine, western hemlock, Douglas-fir, spruce, and true firs are expected to make up about 82 percent of the pulpwood produced in 1958. About 57 percent of the pulpwood cut in 1958 will come from the South, 22 percent from the West, and the remaining 21 percent from forests in the North.

As was the case with sawlogs, pulpwood prices have not changed much recently.

The decrease in pulpwood production since 1956 marks what is believed to be a temporary reversal in a trend that has been sharply upward for many years. There are a variety of forecasts made by different agencies which indicate that the demand for pulpwood in the United States is likely to increase. The Forest Service, for example has estimated that the demand for pulpwood in 1975 may be between 45 and 65 percent higher than 1956.

Veneer logs

The volume of veneer logs produced in 1958 is estimated at 3.5 billion board-feet. Total production is thus about the same as in 1956, but slightly higher than in 1957 when 3.3 billion board-feet was produced.

Currently the price quotations for Douglas-fir grade No. 1 veneer logs as reported by the Timberman range from \$113 to \$118 in the Pudget Sound log market and from \$105 to \$110 in the Columbia River market. Although there has been some fluctuation, this price level has been maintained without significant change during the last 3 or 4 years. Prices for hardwood veneer logs have displayed a similar stability.

The outlook for veneer logs is highly favorable. The demand for softwood veneer logs because of continued substitution of softwood plywood for lumber, particularly in residential construction, is likely to increase more rapidly than the demand for hardwood veneer logs.

Other roundwood timber products.--The production of other industrial roundwood timber products such as cooperage logs, poles and piling, fence posts, hewn ties, round mine timbers, and a miscellaneous assortment of other products amounted to about 700 million cubic feet in 1952. Since then trends in the production of these products have been variable--some increasing and others decreasing. In total, however, there has apparently not been much change in the level of production. Prices vary widely depending upon the product, species, and region.

Christmas trees

The use of Christmas trees in the United States has been rising slowly and consumption is now in excess of 40 million trees annually, including about 28 million produced in domestic forests and 12 million imported from Canada. Stumpage prices paid to timber growers vary widely ranging from as low as 10¢ per tree for wild trees to \$4 or more for plantation grown trees.

The relatively high prices paid for plantation grown trees in the past has attracted new producers and resulted in large increases in Christmas tree plantings. This has advanced to the point that recent surveys in Michigan, Ohio, and Pennsylvania show that total Christmas tree planting in these three States alone amounts to some 20 million trees a year. This high volume of planting suggests the possibility of sharply increased competition for available markets and lower prices than growers have received in recent years.

NAVAL STORES

The downtrend in naval stores supplies is expected to continue in the 1958-59 crop year. Rosin and turpentine supplies should be slightly lower than a year ago and will be lower than at any time since the 1952-53 crop year.

Rosin production of all types is likely to total about 1,830,000 drums, 2 percent lower than a year ago. The expected 6 percent increase in tall oil rosin production will be insufficient to offset anticipated decreases of about 7 percent in gum rosin and 1 to 2 percent in steam distilled wood rosin. Similarly, a slight reduction is expected in production of turpentine mainly because of a 6 percent decrease in gum turpentine output.

Rosin and turpentine stocks may be slightly lower at the end of the crop year next March 31. CCC currently holds about 4/5 of overall rosin stocks and about 1/10 of turpentine stocks. About 7 percent of the gum rosin crop (25,000 drums) and not more than 5 percent of gum turpentine production (about 6,000 barrels) are likely to be placed in the 1958 loan. Most of these loan stocks probably will be redeemed before the expiration date for redemptions next July 1. Through August 1958, domestic disappearance of both rosin and turpentine was slightly less than for the corresponding period a year ago. However, domestic consumption for the remainder of the year is likely to surpass last year's performance to the extent that annual consumption should equal or slightly exceed that for the 1957-58 crop year.

Curtailed domestic rosin consumption through August reflects in part lower paper and S-type synthetic rubber production. Output of these commodities through August of this crop year is about 1 and 9 percent lower, respectively, than during the same period in 1957. However, production is expected to increase over the remainder of the crop year, and, in the case of paper, for the year as a whole, should equal at least that of the 1957-58 crop year.

The pattern of turpentine domestic disappearance continues to change with industrial consumption increasing while retail sales in small containers decline.

Exports of rosin are likely to be lower, reflecting increased output in Communist Bloc countries and what appears to be a temporary slowdown in European industrial activity. Not much change is anticipated in turpentine exports which are not as closely related to industrial activity. About 28 percent of rosin production and 12 percent of turpentine output is likely to be exported.

Prices of turpentine and high grade rosin are expected to rise before the end of the current crop year. For the year as a whole, it is estimated gum rosin prices will average \$8.20, a 4 percent increase over last year. Gum turpentine prices, on the other hand, probably will be about 5 percent lower at 51-52 cents. Long range prospects are for rising rosin prices in line with increased worldwide industrial activity. Turpentine prices, however, are likely to remain within the 50-60 cents per gallon range of the past several years.

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